

THE
CANADIAN
ACCOUNTANT
FIFTEENTH EDITION.

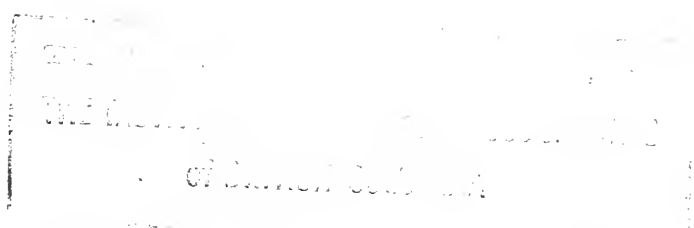
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CANADIAN ACCOUNTANT

A TEXT BOOK AND
WORK OF REFERENCE

IN BOOKKEEPING AND ADVANCED ACCOUNTING ;
AND AN ENCYCLOPÆDIA OF GENERAL
COMMERCIAL KNOWLEDGE,

—BY—

S. G. Beatty and J. W. Johnson, F. C. A.,

THE FORMER FOUNDER (IN 1868), THE LATTER PRINCIPAL
(OVER 30 YEARS) OF THE ONTARIO BUSINESS COLLEGE ;
PRESIDENT OF THE INSTITUTE OF CHARTERED ACCOUNTANTS
OF THE PROVINCE OF ONTARIO, 1908 ; EX-PRESIDENT OF THE
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"THE CANADIAN ACCOUNTANT"

is authorized by the Education Department for the Province of Ontario for use in High Schools and Collegiate Institutes; it is recommended by the Institute of Chartered Accountants of Ontario to candidates preparing for the I. of C. A. Examinations, and also by the University of the State of New York for candidates preparing for the University C. P. A. Examinations.

ENTERED ACCORDING TO ACT OF THE PARLIAMENT OF CANADA.

IN THE YEAR ONE THOUSAND EIGHT HUNDRED AND SEVENTY-FOUR, BY S. G. BEATTY,

AND IN THE YEAR ONE THOUSAND EIGHT HUNDRED AND SEVENTY-NINE,

BY S. G. BEATTY AND J. W. JOHNSON,

AND IN THE YEAR ONE THOUSAND NINE HUNDRED AND EIGHT,

BY J. W. JOHNSON,

AT THE DEPARTMENT OF AGRICULTURE.

WARNING.

The appropriating for other books of the matter herein contained, without authority and acknowledgment, will be, as it has been, severely dealt with.

PREFACE.

FIFTEENTH EDITION.

Having regard to the present and future of the commerce of this country, and this continent, it is a good thing that a knowledge of the correct methods of keeping accounts is spreading; and that the necessity on the part of every one engaged in business, whether employer or employee, to acquire familiarity with the principles of bookkeeping, is becoming more fully recognized. THE CANADIAN ACCOUNTANT has been one of the instruments by which this knowledge has been spread, and this necessity created. Responsibility being the corollary of success, the authors have felt in the preparation of this (the fifteenth) edition of the book more than ever their responsibility to maintain the standard by which past success has been, and future success must be, achieved. The work has been again thoroughly revised, augmented and enriched; subjects have been enlarged upon, and others re-written; and a large amount of new, practical and original matter has been added.

You will often see on invoices the words "Are you insured?" the intention on the part of the wholesale merchant being to remind those to whom he is distributing credit of the importance of keeping their goods insured. Another equally important and necessary question should be put by every dispenser of credit to every customer, "Can you, and do you keep proper books of account?" Wholesale merchants would be justified if they insisted upon seeing the balance sheet, taken from a well kept set of double entry books, at the end of each year, of every customer who is indebted to them. There would be fewer bankrupts if they did. The banks also would be justified, would avoid losses and set an example to the business community, if they required the firms for whom they discount to keep proper books and produce a balance sheet once a year.

The PRINCIPLES of bookkeeping do not change, and they are applicable to every kind of trade, exchange, commerce, manufacture or production. Having mastered them, the bookkeeper should be able to apply them to so record the transactions of *any* business that a full, complete and comprehensive exhibit of the present condition of affairs, and of the operations that produced it, may be always available. The knowledge of these principles conveyed in "The Accountant," and their practical application under such diverse circumstances and conditions throughout the book, from the simple to the most complex, furnish an accurate guide, by which, either from demonstration, illustration or suggestion, these desirable and necessary facts can be ascertained by those who are aiming to be thorough and reliable, and consequently successful, business men.

The Teacher and Student of Accounts will find "The Accountant" a complete text-book.

The Practical Bookkeeper, the Managing Accountant, the Public Accountant, the Business Man, the Manufacturer, the Banker will find "The Accountant" a comprehensive and reliable work of reference.

Along with the subject of bookkeeping proper, the cognate subjects of Banking and Finance, Business Papers and Correspondence, Commercial Arithmetic, Commercial Law and General Office Practice have received the attention they demand.

The authors' standpoint is that of long experience, study and observation as practical accountants, auditors, and business men, and experience in teaching accounts that has been exceptionally successful.

Ontario Business College,
Belleville, Ont., Canada, 1908.

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VOCABULARY

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ABBREVIATIONS AND MERCANTILE TERMS.

ABBREVIATIONS.

AD.	Advertisement.	ENG.	English.
ADV.	Adventure.	ENT.	Entry.
AC'T.	Account.	EX.	Out of, as Ex Steam- ship "Oregon."
AM'T.	Amount.	EXCH.	Exchange.
ANS.	Answer.	EXP'S.	Expenses.
APR.	April.		
ASS'D. or As'd.	Assorted		
AUG.	August.	FAV.	Favor.
		FEB.	February.
BAL.	Balance.	FIG'D.	Figured.
B-B.	Bill Book, Bank Book.	FOL.	Folio.
BBL.	Barrel.	FORW'D.	Forward.
BILLS PAY. or B. P.	Bills Payable.	FR'T.	Freight.
BILLS REC. or B. R.	Bills Receivable.	F. O. B.	Free on Board. See page 459.
B'K.	Bank.	F. O. C.	Free on Cars. See page 459.
BL'K.	Black.		
B. L.	Bill of Lading.	GAL.	Gallon.
Bo'T.	Bought.	GUAR.	Guarantee.
BRO'T.	Brought.		
		HHD.	Hogshead.
CAP.	Capital, Chapter.	H. M.	Healthy Males; re- lating to Life In- surance Tables.
C. B.	Cash Book.		
Co.	Company.	I. B.	Invoice Book.
COL'D.	Colored.	I. E.	(Id est) That is.
COM.	Commission.	INS.	Insurance.
CONSG'T.	Consignment.	INSOL.	Insolvent.
CR.	Creditor or Credit.	INST.	(Instant) The pres- ent month.
C. O. D.	Collect on Delivery.		
C. I. F.	Cost, Insurance and Freight.	INT.	Interest.
C/o.	Care of.	INVT.	Inventory.
D. B.	Day Book.	JAN.	January.
DEC.	December.	JOUR.	Journal.
DEP.	Deposited.	J. F.	Journal Folio.
D'FT.	Draft.		
DIS.	Discount.	LBS.	Pounds weight.
DIV.	Dividend.	LED.	Ledger.
Do.	(Ditto) The same.	L. F.	Ledger Folio.
DOZ.	Dozen.	L. & G.	Loss and Gain.
DR.	Debtor or Debit.	(L. S.)	Locus Sigilli—The place of the seal.
D'YS.	Days.		
		MAR.	March.
EA.	Each.	MDSE.	Merchandise.
E. E.	Errors Excepted.	M. or Mo.	Month.
E. G.	(Exempli Gratia) for the sake of example.	MS.	Manuscript.
E. & O. E.	Errors and Omissions Excepted.	Mss.	Manuscripts.

N. B.	(Nota Bene) Take Notice.	SHIP'T.	Shipment.
No.	Number.	ST'R.	Steamer.
Nov.	November.	SUND'S.	Sundries.
		SUPER. or S. F.	Superfine.
OCT.	October.		
O. I. B.	Outward Invoice Book.	ULT.	(Ultimo). The last.
P.	Page.	VIZ.	(Videlicet.) To wit,
PAR.	Face Value.		namely.
PAY'T.	Payment.	Vs.	(Versus.) Against.
P. C. B.	Petty Cash Book.		
P'D.	Paid.	Y'DS.	Yards.
P'K'G'S.	Packages.	YR.	Year.
PER.	By.		
PR. CT.	(Per centum.) By the hundred.	@	At
PREM.	Premium.	%	(Per centum.) By the
PROX.	(Proximo) The next month.		hundred.
P. S.	Postscript.	+	Sign of Addition; Plus.
		—	“ Subtraction.
Q. V.	Quod Vide (which see.)	×	“ Multiplication.
		÷	“ Division.
REC'D.	Received.	=	“ Equality.
R. R.	Railroad.	“	(Ditto). The same.
		1 ¹	One and one-quarter.
S. B.	Sales-Book.	1 ²	One and one-half.
SEPT.	September.	1 ³	One and three-quarters.

MERCANTILE AND LEGAL TERMS.

Abatement—A deduction or discount.

Acceptance—1st. The receiving of a draft or order, in such a way as to bind the acceptor to payment. It consists in the acceptor writing across the face of the bill “accepted,” and signing his name. If drawn payable at a certain number of days' sight, the date of acceptance should also be given. 2nd. A draft accepted. See page 71.

Accommodation—A loan of money. When applied to bills of exchange, it is where the drawee lends his name as acceptor for the use of the drawer.

Account Current—An exhibit in detail of a running account between two or more parties.

Account Sales—An exhibit of the sales of goods disposed of on commission, with the charges incurred.

Ad valorem—According to value. An ad valorem duty is a certain percentage on the invoice price.

Advance—Profit over cost; premium. Money advanced on property or goods.

Adventure—Goods sent to a distance to be sold on commission.

Advice—Mercantile intelligence.

Affidavit—A written oath.

Agent—One entrusted with the business of another. A factor.

Alias—Otherwise.

Allonge—A slip of paper attached to a note or bill to receive indorsements, when the back is full.

Amortize—To extinguish a debt by means of a sinking fund.

Annuity—A sum of money payable periodically, usually yearly.

Ante-date—To date before the present time; to date beforehand.

Arbitration—The hearing and determination of a cause between parties in a controversy, by a person or persons chosen for the purpose. A hearing before arbitrators, though they make no award.

Arbitrage—Traffic in Bills of Exchange.

Assets—Available means for payment of debts; goods, estate, and indebtedness of others to you.

Assignee—One to whom an assignment is made.

Assignment—Conditional transfer of property to another. The property so transferred.

Assignor—One who makes an assignment.

Attachment—A claim on property legally executed.

Attorney—A person duly and legally empowered to act for another.

Average—Sums allowed for losses at sea. A medium time found by equation.

Bailor—One who delivers goods to another in trust.

Bailee—The person to whom goods are committed in trust.

Balance—To close an account in the Ledger. Difference between the debits and credits.
An account in the Ledger into which balances are closed.

Bankrupt—Insolvent. One unable to pay his debts.

Bears—A Stock Exchange expression referring to those brokers who are endeavoring to force down the price of shares.

Beneficiary—One who receives a benefit, as a beneficiary under a will.

Bequeath—To will goods.

Bequest—A legacy.

Bill, or Bill of Parcels—A statement in detail of goods bought or sold.

Bills—A term applied to drafts, notes, etc.

Bill of Exchange—An order for the payment of money; usually applied to drafts on persons in another country from the drawer.

Bill of Lading—A written acknowledgment of goods shipped, having the signature of the master, agent or purser of the vessel on which shipped.

Bill of Sale—Evidence of ownership given to a purchaser.

Blank Credit—Permission granted by one house to another to draw on it at pleasure.

Bona fide—In good faith.

Bond—An obligation or deed by which a person binds himself, his heirs, executors and administrators; or a company or corporation bind themselves to pay a certain sum on or before a certain day.

Bonded Goods—Goods imported on which the duties have not been paid.

Bottomry Bond—A mortgage or lien upon a vessel.

Broker—A money or stock trader. Factor or agent.

Brokerage—A percentage for the purchase and sale of money and stocks.

Bulls—A stock exchange expression referring to those brokers who are endeavoring to force up the price of shares.

Capital—Stock in trade. The sum that the assets of the business exceed the liabilities.

Capias—A writ to authorize the seizure of a defendant's person.

Cargo—The lading or freight of a vessel.

Carrying Trade—The transportation of goods.

Charter Party—A written agreement between the owner of a vessel and the person to whom she is chartered.

Chattel—Any item of moveable property, goods, effects.

Circular Letter—A printed notice issued by a house relative to its business.

Circular Letter of Credit—A draft on foreign banks, carried by travellers.

Clearing a Vessel—Entering at the Custom-house all particulars relating to her when she is ready to sail, and paying clearance charges.

Clearance—A certificate from a Custom-house that a vessel has been cleared.

Closing an Account—Making an entry to balance it, footing it, and drawing lines underneath to indicate that it is closed.

Coastwise—Referring to a vessel trading along the coast.

Collateral—Additional; as collateral or concurrent security.

Commission—A percentage allowed for the sale of goods, or for services.

Compound—To settle with a creditor by agreement, and discharge a debt by paying part.

Compromise—An adjustment of difference by mutual concession. Taking less than was due.

Consignee—One to whom goods or wares are consigned.

Consignment—Goods sent to an agent to be sold for the consignor.

- Consignor—The person making a consignment.
- Contraband Goods—Articles prohibited by law to be imported or exported.
- Contra—On the other side; opposite.
- Convoy—Ships of war sailing with other vessels as a protection.
- Co-partnership—The union of two or more persons for purposes of trade.
- Corner—A stock exchange expression, meaning a monopoly to force up the price.
- Credit—That side of the account which shows the amount due to the person or thing represented. The amount of confidence reposed in another.
- Custom-house—The house where vessels are entered and cleared, and where the duties on imported goods are paid.
- Data—Facts known, from which deductions may be made.
- Days of Grace—The days allowed for the payment of a note or bill (not payable on demand) after it becomes due. In some of the United States and throughout Great Britain and her colonies and dependencies, the number of days of grace is three.
- Debenture—A Bond on which Governments, Companies and Municipalities borrow money.
- Debit—That side of an account which shows the indebtedness of the person or thing represented.
- Defalcation—Failing to meet obligations.
- Demurrage—Forfeit money for detaining a vessel or a car beyond a reasonable time.
- Deposit Receipt—An acknowledgment that a sum of money has been deposited in a bank available on demand or after notice. It is not a negotiable instrument.
- Depot—A place where goods are deposited; a depository; a magazine.
- Devise—To will lands.
- Devisee—The person to whom a devise is made.
- Dies non—A day on which Judges do not sit.
- Discount—Any deduction from the stipulated price of goods, or from a sum due or to be due at a future time.
- Dividend—Division of profits to shareholders.
- Dock—A place to build, repair or lodge vessels.
- Draft—An order from one person on another for the payment of money; a bill of exchange.
- Drawer—The one who draws a bill or draft on another.
- Drawee—The person on whom a bill is drawn.
- Drawback—Amount paid back. Any loss of advantage, or deduction from profit.
- Duplicate—Two documents having the same tenor and bearing the same date.
- Duress—Constraint, or force.
- Duty—A government tax on imported or exported goods.
- Effects—Money, property on hand.
- Embargo—A restraint on ships by Government.
- Emporium—A mart; a town or city of trade; particularly a commercial city.
- Endorse—To write one's name on the back of an instrument; to become security for it.
- Entry—A record made in an account book; the depositing of a ship's papers at the Custom-house to procure license to land goods.
- Equity of Redemption—Time allowed a mortgagor to redeem lands mortgaged.
- Escrow—Not complete, not delivered.
- Estoppel—An obstruction or bar to one's alleging or denying a fact contrary to his own previous action, allegation or denial.
- Et al. (Et alii)—And others.
- Ex—Out of; as ex steamer "Parisian."
- Ex-officio—By virtue of his office.
- Exchange—The giving of one commodity for another. The place where the merchants, bankers and brokers meet, at certain hours, to transact business. Discount and premium arising from the purchase and sale of bills and money.
- Ex-parte—On one part.
- Face—The amount for which a bill is drawn.
- Fac simile—An exact copy.
- Factor—An agent employed by merchants to buy and sell,

Failure—A breaking or becoming insolvent.

Favor—A bill is said to be drawn in favor of the person to whom it is payable.

Finance, or Finances—Relating to funds ; money matters.

Financier—One skilled in money matters.

Firm—The name or title under which a company transacts business ; a partnership.

Flat—Low (as in the price of goods) ; or dull (as to sales).

Foreclose—To foreclose a mortgage is to cut a mortgagor off from his equity of redemption.

Freight—Lading ; that which is carried by carriers. Sums charged by a vessel or railway for transportation.

Folio—Page of an account book ; both the right and left hand pages expressed by the same figures.

Garnishee—To attach property or money of a debtor in the hands of a third party.

Good Will—Bonus paid for a business.

Guarantee, or Guaranty—Indemnity or security against loss.

Guarantor—One who binds himself to see the stipulations of another performed.

Gratis—For nothing.

Habeas Corpus—(a writ in law). You may have the body.

Holograph—Any document wholly written by a person by his own hand.

Honor—As applied to drafts, means to accept, and pay when due.

Hypothecate—To pledge, to give as security.

Hypothecated—Pledged as security for money borrowed.

H. C. J.—High Court of Justice.

Importation—Bringing of goods from another country to one's own country.

Imprest—Money advanced for public or business purposes.

In re—In the matter of.

Inscribed—Written down ; recorded, as inscribed stock.

Insurance—Security against loss. The premium paid for insuring property or life.

Insolvent—Not having money, goods or estate sufficient to pay all debts.

Instalment—A part of a sum of money paid, or to be paid, at a particular period.

Interest—A percentage paid for the use of money.

International—Relating to mutual intercourse between different nations.

Interim—Temporary ; serving in the mean time.

Intestate—Dying without having made a will.

Inventory—An account in detail of property.

Invoice—See Inventory. Inventory is generally applied to a catalogue of goods on hand ;

Invoice to goods purchased, received from abroad, or about to be received.

Ipse dixit—He himself said it.

Laches—Negligence, remissness.

Landing Waiter—A custom-house officer whose duty is to attend on the landing of goods.

Lease—A contract granting possession of property for a stipulated time.

Letter of Credit—A letter authorizing one to receive funds on the credit of another.

Letter of Marque—A written commission or authority given by Government to private vessels, to make reprisals on the vessels of another nation.

Liabilities—Debts of an individual, or claims against him.

License—A legal permit to sell certain articles of merchandise.

Lien—Legal claim, as a lien upon land, houses, goods, etc.

Lighterage—A charge for carrying goods to and from a vessel in a lighter.

Limited—The word required by law to be added to the name of a Joint Stock Company.

Liquidation—The act of adjusting and paying debts. Winding up a business.

Liquidator—One to whom the winding up of a business is intrusted.

Locum tenens—A deputy or substitute.

Locus Sigilli—The place of the seal.

Long—A Stock Exchange expression signifying that a trader can fulfil a contract.

- Malfeasance—Illegal deed.
- Manifest—An exhibit of a vessel's cargo.
- Mandamus—We order ; a law writ.
- Mart—A place of public sale and traffic.
- Maturity—The time when a bill falls due.
- Maximum—The highest price of an article.
- Merchandise—The usual articles of trade.
- Merger—One instrument merged into another.
- Metre—A unit of measurement, being one ten millionth part of the distance from the equator to the poles.
- Minimum—The lowest price of an article.
- Mint—A place where money is coined.
- Misfeasance—A wrong done.
- Mortgage—The grant of an estate in fee as the security for payment of money.
- Mortgagor—The person who grants or pledges property for the security of debt.
- Mortgagee—The person to whom an estate is mortgaged.
- Nem. con.—Abbreviation for *nemine contradicente*. Without opposition.
- Net proceeds—The remainder after deducting all charges from gross sales.
- Net Weight—The weight of a commodity after deducting tare.
- Nolle prosequi—To be unwilling to proceed.
- Notary, or Notary Public—A person legally authorized to attest contracts or writings of any kind, also to take note of the non-payment of bills, promissory notes, etc., which is called protesting.
- Note—A written obligation to pay money ; a memorandum.
- Nuncupative—Oral, not written (as a nuncupative will).
- Obligation—Indebtedness.
- Obligee—The person to whom another is bound.
- Obligor—The person who binds himself or gives a bond to another.
- Oncost—The cost of keeping up a factory or establishment and disposing of its goods.
- Option—Right of choice to accept or decline a proposal (say to buy).
- Order—Used to make an instrument negotiable only after being indorsed by the payee.
- Par of Exchange—The intrinsic value of money when compared with that of other countries.
- Parole—Word of mouth. Verbal.
- Partnership—See Co-Partnership.
- Payee—The person to whom money is to be paid.
- Per Annum—By the year.
- Per pro. or p. p.—By *procuracion* (English) ; *procuracionem* (Latin).
- Per se—By itself.
- Plenary—(As plenary powers), full, complete.
- Policy, or Policy of Insurance—The writing or instrument by which a contract of indemnity to the insured is effected between him and the insurer.
- Postdate—To date after the real time.
- Posting—Transferring the effect of Journal entries into the Ledger.
- Power of Attorney—Written authority under seal given to a person to act for another.
- Premium—Beyond the face value.
- Prices Current—A list of various articles of merchandise, with their market values.
- Prima Facie—On the first view or appearance. Presumptive evidence.
- Principal—The chief of a commercial house or firm. Capital sum due, lent or owed.
- Primage—A percentage allowed to the master of a vessel on freight transported.
- Probate—Official proof of a will.
- Procuracion—Management of another's affairs. See Power of Attorney.
- Pro Tempore—For the time.
- Pro Forma—According to form.
- Pro Tanto—Just by so much.
- Promissory Note—A writing which contains a promise for the payment of money unconditionally.

Protest—A Notary's document declaring that a bill was not accepted when presented, or was not paid when it fell due.

Quantum—How much.

Quarantine—Restraint of intercourse to which a ship is subjected for a limited term, on the presumption that she may be infected with a malignant, contagious disease.

Quid pro quo—What for what.

Quo Warranto?—By what warrant? (a legal writ.)

Quorum—The number competent to transact business.

Quote—As to quote (give) a price on goods.

Rate of Exchange—The percentage above or below the par value of a Bill of Exchange.

Rebate or Rebatement—Abatement of price; deduction for prompt payment.

Receipt—A writing acknowledging the receipt of money or goods.

Remittance—Money sent from one house to another. The act of sending the same.

Renewal of a Bill—Prolonging the time of payment by making a new bill.

Replevin—Action to recover goods wrongfully taken or detained.

Resources—Funds, money, or that which may be converted into supplies. See Assets.

Rest—Surplus of assets over liabilities to the public and to shareholders.

R. S. O.—Revised Statutes of Ontario.

R. S. C.—Revised Statutes of Canada.

Salvage—A reward allowed for saving property from loss at sea or by fire.

Schedule—A detailed list.

Seize—To take possession by virtue of a warrant, or legal authority.

Set of Exchange—A number of Bills of Exchange (usually three), drawn of the same tenor and date. Each Bill may be forwarded by different conveyance, to prevent failures, and one of them being paid, the remainder are of no value.

Shipment—Goods on board a vessel. The goods shipped.

Short—A stock exchange expression signifying that a dealer cannot fulfil a contract.

Sight, or at Sight—The time when a bill is presented to the drawee.

Signature—The name of a person written or subscribed by himself.

Sine die—Without fixing the date.

Sine qua non—Without which a thing cannot be; hence an indispensable condition.

Smuggling—Passing goods into a country clandestinely, without paying duties.

Solvent—Able to pay all debts.

Specific Duty—So much levied on the quantity irrespective of value.

Spot Cash—Cash at once, no time allowance.

Staple Goods—The principal products of a country. Goods not liable to perish.

Stock—Capital invested in trade. Goods on hand.

Subpoena—Under a penalty. A Writ summoning a witness.

Surety—Security against loss or damage. One bound for payment of another's debts; bondsmen; bail.

Subrogation—The substitution of one person or thing in the place of another.

Tare—An allowance for the weight of packages.

Tariff—A list or table of duties or customs charges on merchandise, imported or exported.

Teller—An officer of a bank employed to receive deposits or pay money; one who counts.

Tonnage—The weight or measurement of goods carried in a vessel, or her capacity.

To Wit—To call attention; equivalent to namely, or, that is to say.

Tort—A legal term for wrong or injury.

Tracer—A document sent by a transportation Co., in quest of goods lost or delayed.

Transfer—To carry from one account to another. To make over; to convey from one to another.

Trustee—A person to whom anything is committed in trust.

Ultra Vires—Beyond authority.

Underwriters—Persons who insure property against loss.

Underwriting—Insuring.

Usury—Formerly interest; in present usage, excessive interest.

Vendor—A seller; vendee—a buyer.

Vice-Versa—The terms being exchanged.

Voucher—A book, paper or document, which serves to vouch the truth of accounts; a receipt.

Waiver—To forego.

Warranty—Guarantee of an article from a vendor to a purchaser.

Wharfage—Money paid for the use of a wharf.

Xd—Without dividend.

BOOKKEEPING.

CHAPTER I.

BOOKKEEPING is the science of recording the transactions of a business in such a manner that a clear and correct statement of its affairs may, when desired, be ascertained.

There are two systems by which books of account may be kept ; they are called the Single Entry Method and the Double Entry Method.

In the Single Entry Method, accounts are kept in the Ledger with persons only ; in the Double Entry Method, accounts are kept in the Ledger not only with persons, but also for the other *Assets and †Liabilities of the business, and likewise for its Gains and Losses. From the Asset and Liability accounts the financial condition is ascertained, namely, solvency or insolvency ; from the accounts that show Gains and Losses the result of carrying on the business is determined, namely, the net gain or net loss and how the result has been reached.

Posting to a Single Entry Ledger consists simply of debiting *or* (not and) crediting some personal account. Hence the term *Single Entry*.

Posting to a Double Entry Ledger requires at least *two* entries, one to the debit side of one account, and the other to the credit side of some other account. Hence the term *Double Entry*. See page 28 for a further development of this principle.

The meaning of the term Double Entry Bookkeeping will now be apparent, but a word or two further may assist the student at the threshold of his course to grasp the reason for entries being "double." An equal debit and credit (or double entry) is necessary in efficient bookkeeping, because a business transaction invariably affects at least two things, alters Assets or Liabilities or both, or changes the condition of the ‡Capital. For example, if you receive cash for a note, two asset accounts are affected, namely, Cash and Bills Receivable ; if you pay a note, a liability account and an asset account are affected, namely Bills Payable and Cash ; if you pay a note and interest upon it, a liability account, an asset account and the capital are affected, namely, Bills Payable, Cash and Interest, the latter temporarily representing a change effected in the Capital.

*Assets (or Resources) are goods or property owned by you, and debts owing to you.

†Liabilities are debts or obligations owing by you.

‡Capital is the investment of the proprietor in his business ; it is the difference between his Assets and Liabilities, if the former are in excess. It is continually, day by day, affected by the gains and losses.

See Statement of Resources and Liabilities for Set 1 at page 42, and the explanations at pages 40 and 41, and also refer to pages 43 and 44.

The Double Entry System of Bookkeeping is the scientific method of accounting that has been pursued for centuries, first in Europe and later in America, and now prevails in all civilized countries. It is unwise and unsafe to carry on business without it.

A simple statement only of the Single and Double Entry systems of Bookkeeping has been given thus far. From pages 88 to 99, following the practice the student will have had in working out seven sets by *Double Entry*, and preceding Set VIII. by Single Entry, he will find Single Entry explained and illustrated and contrasted with the Double Entry System; the former changed to the latter, and the reasons why the Double Entry System should be adopted by business men. It will be well for the student to read now the pages referred to.

DEBTOR AND CREDITOR.

One of the difficulties that besets the student on commencing the study of accounts is a proper knowledge of the meaning of the terms "Debit and Credit." A simple meaning of debit is to *charge*; and of credit to *trust*.

Whenever one person receives anything from another, which he does not pay for at the time, he is said to *go in debt* for it, and is called a DEBTOR. A person who sells property without receiving payment at the time is said to *give credit*, and is called a CREDITOR. In other words, the *receiver* is always the DEBTOR, and the *giver* the CREDITOR. In keeping accounts it is customary and more convenient to abridge and write Dr. for Debtor, and Cr. for Creditor.

A business transaction consists of, or implies, the exchange of one thing for another. In every transaction there must be both a *buyer* and a *seller*. When the property which changes hands is not paid for at the time of the transfer, the buyer becomes a Debtor, and the seller a Creditor. The following will serve as an illustration of the correct use of the terms already employed:

TRANSACTION.—*John Smith buys of Thomas Jones one suit of clothes, for which he agrees to pay him hereafter twenty dollars.* In this transaction John Smith is the debtor, or *receiver*, and Thomas Jones the creditor, or *giver*.

BOOKS USED IN DOUBLE ENTRY.

The Italian method of keeping books by Double Entry has been adopted in the first sets of this Work, because it is the basis of all other forms, and, therefore, the best from which to learn the first principles of the science. The main books of entry are Day-Book, Journal, and Ledger. Other books are introduced further on.

DAY-BOOK.

The Day-Book, or Blotter, in the Italian method, is a plain history of business transactions written in the date and order of their occurrence. It is necessary when opening the Day-Book to give a statement of your effects at the commencement of business, and also of what debts you owe, if any.

* Afterwards record in detail every transaction that occurs in the course of business, making the entry in as few words as possible, but having it complete. The Day-Book, or any book of original entry, by whatever name it may be called, *is the only book admitted as evidence in court to prove a debt.* Every entry should embrace the following particulars: 1st, the date; 2nd, the person, or account; 3rd, what you have bought or sold, paid or received; 4th, the terms of payment; 5th, the articles, quantities, prices and amounts. In single entry the transactions are posted directly from the Day-Book to the Ledger. In double entry, they are journalized before being posted. In addition to the Day-Book, with either system, it will be found advantageous and convenient to record cash transactions in a separate book, called the Cash-Book, for examples of which see sets V., IX. and XI.

When recording the transactions in the Day-Book, everything should be clearly expressed in as uniform a style as possible, and the use of ambiguous words and phrases carefully avoided.

JOURNAL.

The Journal, which is employed in double entry, is used for arranging under Ledger titles the entries of the Day-Book, and for affixing to each Ledger title the correct amount of debit or credit, which is called journalizing. This is done in order that the transactions may with ease be collected under their proper heads in the Ledger. Commit to memory the Rule for journalizing given at page 27; study the directions page 27 and the examples page 28.

LEDGER.

The Ledger contains the accounts of the business.

The transferring of transactions from the Journal to the Ledger is called posting.

The records in the Day-Book are usually made in the order in which transactions occur during the day. Those affecting various persons and things follow each other promiscuously in this book, page after page, the only order observed being the sequence of time. The necessity of the Ledger will now be manifest. We must be able to ascertain at a glance in what relation the business stands towards each person with whom we have had dealings, whether he owes us or whether we owe him; we should also know the condition of the several resources and liabilities not included in the personal records; and, likewise, the sources of profits and losses. In order to accomplish this, what is termed *an account* is opened in the Ledger with these several persons and things, each account, under its own name, being assigned certain space (part of a leaf, a whole leaf, or several leaves, as may be required) in which only the transactions affecting that particular account are entered. The space is divided into two parts, that on the left hand side is called the debtor (Dr.) and that on the right the credit (Cr.). The records of the transactions affecting these accounts are scattered throughout the Day-Book. Since they were recorded in that book they have been journalized as above described, and from the Journal they are systematically posted to the Ledger.

In brief, the Ledger is the book containing the accounts of the business, and an account is a collection of all the transactions affecting the person or thing it represents, gathered from the books of previous record.

* An extensive business requires other books for original records; these you will use at a later stage; they are the Cash Book, Invoice (or Purchase) Book, Sales Book, etc.

Belleville, January 1, 1908.

Journal Page	Date		Dollars.	Cents.
		Bought of JAMES SMITH, on account, 500 bbls. Flour at.....	\$8 00	\$4000
		2		
		Sold STEPHEN BROWN, for cash, 100 bbls. Flour at.....	\$8 50	850

Belleville, January 1, 1908.

			Dr.	Cr.
Ledger Page	1	Merchandise, Dr.....	\$4000	
	2	To James Smith.....		\$4000
		<u>2</u>		
	3	Cash, Dr.....	850	
Page	1	To Merchandise.....		850
		Ledger Titles—Dr.	Dollars,	
		Date,		Cents,
		Ledger Titles—Cr.		Dollars,
				Cents,

<i>Dr.</i>	<i>Merchandise.</i>	<i>Cr.</i>

Month,	Day,	For what debited	Journal Page,	Dollars,	Cents,	Month,	Day,	For what credited	Journal Page,	Dollars,	Cents,
1908 Jan.	1	To James Smith	1	\$4000		1908 Jan.	2	By Cash.....	1	\$850	

Dr. *James Smith.* *Cr.*

[illegible]

<i>Dr.</i>	<i>Cash.</i>	<i>Cr.</i>
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[illegible]

LEDGER ACCOUNTS AND EXERCISES THEREON, over to page 24.

Study also the analyses of the Ledger Accounts at pages 37 and 38.

In Bookkeeping we name our goods *Merchandise*, we call our money *Cash*, a house and lot *Real Estate*; these terms used as ledger titles are called *Accounts*.

The purpose of the exercises in connection with the following explanation of the various accounts which occur in the most simple business operations is to elucidate the initial difficulties of the science.

We have found by experience that it is almost impossible to make a pupil, who has no knowledge of the subject, understand the journal until he is made acquainted with the nature of the accounts in the Ledger. How, for instance, can we explain to a beginner such an expression as "Cash Dr. to Capital," but by taking him to the Ledger, and there explaining to him the Cash and Capital Accounts, the manner of keeping them, and the object for which they are kept? Until he has the Ledger explained to him in some way, the language of the Journal must remain unintelligible to him; and to this may be ascribed the ill-success in teaching Bookkeeping from some of the treatises in use in our public schools, in which, after bewildering the pupil with rules and lectures upon journalizing, they conclude with what ought to have been first explained—the Ledger.

A faithful adherence to the instructions given on the following Ledger Accounts will enable the learner to record, readily and correctly, the exercise in connection with each; which should be written on a Skeleton Ledger, ruled by the pupil himself similar to the following form:

CASH EXERCISE.—Commenced business with a cash capital of \$8,500. Bought merchandise and gave in payment cash \$1,500. Borrowed of A. B. \$300. Paid rent of store \$250. Lent W. Snow \$300. Sold for cash a bill of goods amounting to \$1,000.

Required, The amount of cash on hand?

<i>Dr.</i>	<i>Cash.</i>	<i>Cr.</i>
\$8500		\$1500
300		250
1000		300
	Bal. on hand	7750
\$9800		\$9800

CASH ACCOUNT.

This account is kept to show the amount of cash received, the amount paid out, and the balance on hand at any time. All amounts of cash received are placed on the *debit* (left hand) side of this account, and all amounts paid out on the *credit* (right hand) side; consequently the *debit* side shows the amount received, and the *credit* side the amount parted with.

THE BALANCE ON HAND is ascertained by deducting the total credit from the total debit. The debit side is always the larger as long as there is any cash on hand, since cash must be received before it can be paid out. This account is closed "*By Balance.*"

EXERCISE.—CASH ACCOUNT.

Cash invested \$12,000. Paid for rent \$400. Borrowed of George Sherry \$175. Paid for merchandise \$6,500. Received for merchandise \$400. Received from George Sherry \$100. Paid on our note \$250. Received on B. Canniff's note \$400. Lent W. Ross \$200. Paid George Sherry \$275. Lost \$100. Received from W. Ross \$100. Received from A. C. Baker \$250. Paid for coal \$40.

Required, The amount of cash on hand?

* MERCHANDISE AND OTHER SIMILAR ACCOUNTS.

The merchandise account is kept to show the cost and proceeds of merchandise, and, as a consequence, the gain or loss thereon. Merchandise is *debited* with the amount on hand at commencing business, and with the cost of all purchases. It is *credited* with all sales of merchandise; consequently, the *debit* side shows the cost, and the *credit* side the sales. When all has been sold, the difference between the two sides will show a gain or loss. If a portion of goods remains unsold, the account must be credited with this balance, prior to closing, as an off-set thus far against its cost. If the *debit* side is the larger the account is closed "*By Loss and Gain;*" if the *credit* side is the larger it is closed "*To Loss and Gain.*" Real Estate, Stocks, Shipment Accounts, and all other speculating property accounts are kept for the same purpose, and treated in the same manner as Merchandise Account.

EXERCISE.—MERCHANDISE ACCOUNT.

Have on hand merchandise valued at \$19,000. Sold for cash, as per sales book, \$2,300. Sold for note, goods amounting to \$3,000. Bought on account, bill of cotton, \$400. Sold A. B., on account, goods amounting to \$1,500. Sold R. S., on his acceptance, a bill amounting to \$2,000. Bought, as per invoice, broadcloth for \$1,500. Sold for cash a bill of goods, \$3,100.

Value of unsold merchandise, \$8,450.25.

Required, The loss or gain on merchandise?

BILLS RECEIVABLE.

By this title is meant written obligations, whether in the form of promissory notes or drafts, in your possession, for which a certain specified sum of money is to be *received*.

They may be :

1st. A note in your possession, drawn by another person, payable to you, or bearer, or order.

⁷ Merchandise Account needs for the advanced student a further analysis, with wider illustration and application of the principles simply stated here. This will be found further on.

2nd. A note drawn by another person, purchased by you, although not originally made payable to you.

3rd. A draft or bill of exchange drawn by one party on a second, and coming into your possession as a third party, whether accepted or not.

4th. Your draft on another, accepted by him and retained in your possession.

See Drafts, further on.

See Promissory Notes, further on.

The object in keeping this account is, that you may know the amount of other persons' notes received, the amount that has been disposed of, and the notes in hand. This account is debited with the amount of notes received, and credited with the amount disposed of. The debit side is always the larger, if either, and the excess shows the balance of notes in hand. When all the notes received have been disposed of, this account closes itself; but if any remain unpaid, it is closed "By Balance."

EXERCISE—BILLS RECEIVABLE.

Have on hand the following Bills Receivable:—R. Gordon's note for \$740; J. Dixon's for \$800; S. G. Beatty's for \$950. Sold A. Wilson, on his note, merchandise \$580. Received of W. Diamond his note, in full of account, \$450. R. Gordon pays cash for his note \$740. Sold W. Barber merchandise, and received in payment his draft on A. Foster for \$400. S. G. Beatty redeems his note for \$950. Had A. Wilson's note discounted at the Merchants Bank, face of note \$580. Bought merchandise and gave in payment J. Dixon's note \$800.

Required, The amount of notes on hand?

BILLS PAYABLE.

BILLS PAYABLE is a name given to your written obligations or promises to pay, and under which you keep an account with your own notes and acceptances.

They may be:—

1st. Your promissory note payable to another person.

2nd. A draft or bill of exchange drawn on you and accepted by you.

This account is kept that you may know the amount of your notes and acceptances issued, the amount taken up or redeemed, and the balance still outstanding against you. On the credit side are entered all bills issued, and on the debit side all bills redeemed. The *credit* side is always the larger, if either, and the excess shows the balance of bills outstanding unpaid. When all the bills issued are paid, this account closes itself; but if any remain unpaid, it is closed "To Balance."

EXERCISE.—BILLS PAYABLE.

The following are bills outstanding:—One in favor of H. Card for \$425. One in favor of P. Grass for \$500. An accepted draft in favor of N. Day for \$250. Bought on our note merchandise amounting to \$750. Sold merchandise and received in payment our note favor H. Card \$425. Paid cash for our note favor of P. Grass \$500. Gave Peter Mann our note in settlement of account \$375.

Required, The amount of our outstanding Bills?

BONDS AND MORTGAGES RECEIVABLE are a class of Bills Receivable. Separate accounts are kept for them, which are treated precisely like Bills Receivable.

BONDS AND MORTGAGES PAYABLE are a class of Bills Payable. Separate accounts are kept for them, which are treated precisely like Bills Payable.

BANK.—When a bank account is kept, the *debit* side shows the amount of value deposited in bank, and the *credit* side the amount checked or drawn out; consequently the difference is either the balance in bank or the amount overdrawn; it is closed "By or To Balance," By Balance when there is a balance at your credit, To Balance if there is a balance against you.

EXPENSE, INSURANCE, CHARGES, INTEREST AND DISCOUNT, and similar accounts are kept to ascertain what they cost you, what they produce you, and, as a consequence, whether you gain or lose thereon. Excess of *debit* shows a larger amount of cost than proceeds, and a consequent loss upon the account; while excess of *credit* shows a larger amount of proceeds than cost, and a consequent gain. These accounts are closed "To" or "By Loss and Gain." Expense account must always close "By Loss and Gain," as it can only show a loss.

EXERCISE.—EXPENSE.

Paid for clerk's salary \$425. Paid gas bill \$30. Paid for rent \$200. Paid for postage \$7. Paid for stationery \$40. Paid for freight \$15.

Required, The loss on incidental expenses?

EXERCISE.—INTEREST AND DISCOUNT.

Paid for interest on an overdue note \$4.70. Was allowed 5% cash discount off a bill of goods of \$230.00 = \$11.50. Paid $\frac{1}{4}$ of 1% for collecting a cheque of \$800 = \$2.00. Received for interest on an overdue note \$7.60. Discounted a note held against John Jones at the bank, discount \$5.90.

Required, The gain or loss on Interest and Discount?

PERSONAL ACCOUNTS.

Accounts are kept with persons to show your business dealings with them. A person is debited when he receives value from you in money, notes, goods or services, and he is credited when he produces you value in any similar way.

NOTE.—If you receive more in payment of a Bill Receivable than the face of it, the excess must be credited to Interest account; and if you pay more in settlement of a Bill Payable than the face of it, the excess must be charged to Interest account. See examples in the Journal Entries for Promissory Notes further on.

The *debit* side of a Personal Account shows the amount of your account against the person, and the *credit* side shows the amount of his account against you. The difference shows the balance either due you or due him. These accounts are closed either "To Balance" or "By Balance."

EXERCISE.—PERSONAL ACCOUNTS.

Open an account with each person interested, viz.: Robert Jones, A. Brown, James Smith and Thomas Graves.

Robert Jones owes us \$5,000. Received on account of Robert Jones \$300. Sold merchandise to A. Brown, on account, \$1,500. Lent James Smith \$750. Borrowed of Thomas Graves \$800. Sold merchandise to Robert Jones, on account, \$3,000. Received on Robert Jones' account his note for \$1,500. Received of A. Brown, on account, cash \$700. Received of J. Smith, cash \$750. Received on Robert Jones' account, John Jones' note for \$2,000. Drew a draft on Robert Jones for balance of his indebtedness, \$——.

Required, The standing of each of the personal accounts named?

CAPITAL ACCOUNT.*

Capital, as a Ledger title, stands for the proprietor of the business. It is your representative when conducting business without a partner, and is used instead of your own name. The Capital account exhibits the proprietor's personal dealings with his own business, or his relation to it. When it is closed at the end of each year it will show, if the credit side is the larger, that the business is indebted to the proprietor, or, in other words, the amount of Capital that he has invested at that date; if, on the other hand, the debit side is the larger at the time of closing, it will show that the proprietor is indebted to the business, or, in other words, the amount of his insolvency. Debts at starting, sums drawn out during the continuance of business, and net loss at closing, are placed upon the *debit* side of Capital. Effects invested at starting, sums invested during the business, and net gain at closing, are placed upon the *credit* side. After receiving the net gain or net loss, if the credit side of this account is the larger, the difference or excess is the *net capital*. If the debit side is the larger, the excess is the *net insolvency*. It is closed "To" or "By Balance."

When more than one proprietor is represented, an account is opened for each, and the net investment or insolvency of each proprietor is shown in the same manner under his proper name with the word Capital added, as John Smith, Capital account.

INVESTMENT—SINGLE PROPRIETORSHIP.—Invested in business \$9,000. Paid from the business a private debt of \$450. Drew out for private expenses \$675. The net gain during the year amounts to \$8,000, which is retained in the business.

Required, The proprietor's net worth at the end of the year?

* It was the custom for a long period to call the Capital account the "Stock" account, but the use of the word in this connection is now almost obsolete.

NOTE.—Read the paragraphs relating to Balance Sheets further on. See Index.

INVESTMENT—PARTNERSHIP.—A. and B. are partners. A. invests in cash \$6,000 ; B. in goods, fixtures, etc., \$8,500. A draws out for private purposes, \$475. The concern agrees to pay a personal debt of B.'s of \$800. A. adds to his investment \$1,000. The net loss during the year amounts to \$1,200, each partner sharing equally.

Required, The standing of each partner at the close of the year ?

RESULTS OF PRECEDING EXERCISES.

CASH—Total Debit	\$13,425
" Credit	7,765
On Hand	\$ 5,660
MERCHANDISE—Total Debit	\$20,900
" Credit	20,350 25
Net Loss	\$ 549 75
BILLS RECEIVABLE—Total Debit	\$ 3,920
" Credit	3,070
On Hand	\$ 850
BILLS PAYABLE—Total Credit	\$ 2,300
" Debit	925
Outstanding	\$ 1,375
EXPENSE—Total Debit	\$ 717
" Credit	0
Net Loss	\$ 717
INTEREST—Total Credit	\$ 19 10
" Debit	12 60
Gain on Interest	\$ 6 50
ROBERT JONES—Total Debit	\$ 8,000
" Credit	8,000
A. BROWN—Total Debit	\$ 1,500
" Credit	700
He owes me	\$ 800
JAMES SMITH—Total Debit	\$ 750
" Credit	750
THOMAS GRAVES—Total Credit	\$ 800
" Debit	0
I owe him	\$ 800
CAPITAL—Total Credit	\$17,000
" Debit	1,125
Net worth	\$15,875
"A."—Total Credit	\$ 7,000
" Debit	1,075
Present worth	\$ 5,925
"B."—Total Credit	\$ 8,500
" Debit	1,400
Present worth	\$ 7,100

QUESTIONS FOR REVIEW.

CHAPTER I.

What is Bookkeeping? How many distinct methods of keeping accounts are there? In the Single Entry method what accounts are kept in the Ledger? In the Double Entry method what accounts are kept in the Ledger? From what accounts is the financial condition ascertained? From what accounts is the net gain or loss determined? How do you post to a Single Entry Ledger? How do you post to a Double Entry Ledger? Why is the one system called Single Entry Bookkeeping? Why is the other system called Double Entry Bookkeeping? Explain the terms Assets (or Resources), Liabilities, Capital. How do you ascertain the capital or worth of a business? Why is the Double Entry system to be preferred? What do the terms "Debit" and "Credit" signify? When is a person called a Debtor? When is a person called a Creditor? What is a business transaction? What are the main books used in Double Entry? Describe the Day-Book? What book is received as evidence in a court of law? For what is the Journal used? What is posting? Describe the Ledger, and what is its principal use? What are the advantages of keeping Personal Accounts in the Ledger? What is an account as used in the Ledger? What is the object of keeping a Cash Account in the Ledger? When are entries made on the Dr. and when on the Cr. side of this account? How is the Cash Account closed? How are Merchandise and other similar accounts kept and closed? Define Bills Receivable? Of what may Bills Receivable consist? What is the object in keeping this account? With what is it Debited and Credited? How is it closed? Define Bills Payable? Of what may Bills Payable consist? What is the object of keeping this account? How is it conducted and closed in the Ledger? Explain the method of keeping a Bank Account? For what purpose are accounts with Expense, Insurance, Charges, Interest and Discount kept? How are they closed? Describe the object and manner of keeping Personal Accounts. What does the Dr. side of a Personal Account show? What the Cr. side? How are they closed? Define "Capital" as a Ledger title. How is the Capital Account conducted and closed?

CHAPTER II.

DOUBLE ENTRY.

We introduce the learner, at once, to Double Entry Bookkeeping, omitting any special instructions in Single Entry until the student has become familiar with the principles of the former system; for the reasons, first, that we do not desire to distract the mind from the more important considerations bearing upon the Science of Accounts; and, secondly, because a student who has mastered Double Entry requires nothing more than a perusal of Single Entry to understand it.

In Double Entry Bookkeeping, accounts are kept not only with individuals, but also with all other resources and liabilities, and with the different branches of gains and losses.

Business transactions consist chiefly in exchanging various forms of value. Among these are Merchandise, Real Estate, Cash, Personal Debts, Written Obligations, Services, etc. In many kinds of business it is necessary that the amounts of these different forms of value in possession, as they exist at any one time, should be readily and easily ascertained; also how much is due to others, and how much has been paid out or received for any particular purpose. This information is required in order to know the exact condition of affairs, and to have a correct basis upon which to plan any future enterprise. To obtain the information fully, an account must be kept, not only with the persons with whom business is transacted, but also with every form of value exchanged, and with every source of receipt and expenditure.

The distinguishing feature in Double Entry consists in carrying out a mathematical principle of equilibrium, under the titles of *debit* and *credit*.

The particular form in which books are kept is not essential, as long as they conform to the principle of equal debit and credit.

The forms in use in business houses vary according to the nature and extent of the business. In a small retail store a record showing the amounts which are due from persons who have purchased from us on credit, and due to persons from whom we have purchased on credit, is by many considered sufficient. In some cases an authentic record that can be used as evidence is all that is wanted; in others the workings of each series of operations, the results of each series of income or loss, and the comparative value of different undertakings must be fully set forth as a basis for future plans, and to determine what is requisite for the safe and successful conduct of affairs. A system of checks against omissions, mistakes and frauds is also in many establishments indispensable in order to guard against errors and serious losses. Without an accurate set of books, proceedings must be upon vague and possibly erroneous conclusions, the results of which may be insolvency and bankruptcy.

The qualifications necessary to keep books properly will, therefore, depend very much upon the kind of business for which the books are required. In any business, a knowledge of certain principles is indispensable; and a comprehensive acquaintance with the science of accounts will give many facilities and advantages not possessed by those who have no knowledge except what they have gained from a contracted routine of petty details.

The principal books used are the Day-Book, Journal and Ledger. The Auxiliary Books vary according to the nature of the business, and are the Cash-Book, Bill-Book, Invoice-Book, Sales-Book, Letter-Book, Receipt-Book, Account Sales-Book, etc.

The form and number of the auxiliary books used depend in all cases upon the nature of the business transactions; but as a knowledge of the auxiliaries is easily obtained, it is thought best not to encumber the mind of the student

with them at first, and they are accordingly omitted until a subsequent part of the work.

DIRECTIONS FOR JOURNALIZING.

Journalizing is ascertaining the proper *debits* and *credits* of business transactions recorded in the Day-Book, and writing them in the Journal. This requires thought and study. Whenever a transaction occurs, the book-keeper should reflect for a moment, and see what part of the property is affected by that transaction, and then the accounts that represent that property, are the accounts to be made *Dr. and Cr.* *Every Dr. must have a corresponding Cr. of equal amount, and every Cr. must have a corresponding Dr. of equal amount.* If the transaction takes from the one part of your property and adds to another, the account from which it is taken is made *Cr.* and the one to which it is added is made *Dr.* Whenever you buy property, the account representing that property is made *Dr.* to what you gave in payment for it; or if you buy it on trust, it is made *Dr.* to the person that trusted you, or to Bills Payable if you gave your note; and when you sell that property it is made *Cr.* by what you receive in payment for it; or if it is sold on credit, it is *Cr.* by the person trusted, or by Bills Receivable if you receive his note. Those persons are *Debtors* who owe us. Those persons are *Creditors* whom we owe.

For example, if you buy merchandise of A. Brown on account, \$500, Merchandise would be *Dr.* to A. Brown \$500, and A. Brown *Cr.* by Merchandise, \$500. If you pay him cash for it, Cash would be *Cr.*; if your note, Bills Payable would be *Cr.* If you sell merchandise on account to J. Meudell, he would be made *Dr.* to Merchandise, and Merchandise *Cr.* by J. Meudell. If he paid you cash, Cash would be *Dr.*; or gave you his note, Bills Receivable would be *Dr.* If you gave your note to A. Brown on account, he would be made *Dr.* to Bills Payable, and Bills Payable *Cr.* by A. Brown. When you redeem that note with cash, Bills Payable would be *Dr.* to Cash, and Cash *Cr.* by Bills Payable. If J. Meudell gives you his note on account, Bills Receivable would be made *Dr.* to J. Meudell, and J. Meudell *Cr.* by Bills Receivable. When he redeems that note with cash, Cash would be *Dr.* to Bills Receivable, and Bills Receivable *Cr.* by Cash.

Journalizing is considered the most scientific part of bookkeeping, but will not be found difficult if you understand the following;—

RULE FOR JOURNALIZING.—“*Debit what costs value, or the thing received.*”
“*Credit what produces value, or the thing parted with.*”

The above rule is the *Key* to the principle of Double Entry Bookkeeping, and a thorough understanding of it at the commencement will save time, and many vexatious moments as you become further advanced.

EXERCISES IN JOURNALIZING.

The form of making a Journal entry is to place the name of the account or accounts to be debited, *first*, then the name of the account or accounts to

be credited, follows ; so when you write, Bills Receivable *Dr.* to Merchandise, it implies that Merchandise account is to be credited as well as Bills Receivable to be debited.

Transactions.

- 1.—Bought of S. G. Beatty, on account, mdse., amounting to \$4,500.
- 2.—Sold W. B. Robinson, on acct., mdse., \$750.
- 3.—Paid S. G. Beatty, cash on account, \$400.
- 4.—Received from W. B. Robinson, cash on account, \$500.
- 5.—Sold Geo. Sherry on his note at one month, mdse., \$200.
- 6.—Bought of S. G. Beatty, on my note, mdse., \$800.
- 7.—George Sherry has paid his note in cash, \$200.
- 8.—Paid my note to S. G. Beatty in cash, \$800.
- 9.—Received from W. B. Robinson, cash to balance his account, \$250.
- 10.—Bought of F. Rous, mdse., \$2,000; gave in payment my note for \$1,000, and cash for the balance, \$1,000.
- 11.—Sold R. Gordon, mdse., \$800; received in payment his note for \$500, and cash for the balance, \$300.

Journalized.

1.—Mdse., Dr.	\$4,500	
To S. G. Beatty		\$4,500
2.—W. B. Robinson Dr....	750	
To Mdse.		750
3.—S. G. Beatty Dr.	400	
To Cash		400
4.—Cash Dr.	500	
To W. B. Robinson...		500
5.—Bills Receivable Dr	200	
To Mdse.		200
6.—Mdse. Dr.	800	
To Bills Payable		800
7.—Cash Dr.	200	
To Bills Receivable...		200
8.—Bills Payable Dr.	800	
To Cash		800
9.—Cash Dr.	250	
To W. B. Robinson...		250
10.—Mdse. Dr.	2,000	
To Bills Payable		1,000
To Cash		1,000
11.—Bills Receivable Dr	500	
Cash Dr.	300	
To Mdse.		800

See Journal Entries for Drafts and Notes further on.

RECORD OF TRANSACTIONS.

A BUSINESS TRANSACTION consists nominally in an *exchange* of *values*; and each complete record of a transaction is based upon the theory that something is *received* and something *given*. This theory, however, is not always literally, though it may be constructively, true.

One unvarying condition of a transaction is that its *complete* record requires at least *two* entries—one to the *Debit* of some account, and one to the *Credit* of some other account. Frequently, however, the record may involve more than two accounts; but under all circumstances the *sum* of the debit and credit entries must be equal.

Preserving the *equality* of debits and credits, the records of a transaction may require any of the four following forms :—

1. ONE DEBIT AND ONE CREDIT.
2. ONE DEBIT AND TWO OR MORE CREDITS.
3. TWO OR MORE DEBITS AND ONE CREDIT.
4. TWO OR MORE DEBITS AND TWO OR MORE CREDITS.

The main object of a business record is to show at any time *the condition of the business*; in other words, *what the concern is worth*. Inasmuch, then, as the real or net worth of a concern is *the difference between its assets and liabilities*, it follows that any adequate system of business record must secure the ready means of ascertaining these necessary items.

The following Set is worked out in full, in order to show the pupil the

proper form of carrying the transactions through the different books, and should be thoroughly understood in every particular before proceeding further.

The transactions are first taken from the "Record," which is supposed to be a memorandum of the merchant's business transactions in the date and order of their occurrence, and arranged properly in the Day-Book, after which they are journalized and posted.

A faithful adherence to the foregoing instructions and applications will enable the pupil to record, readily and correctly, the exercises on page 28, which should be first written on skeleton paper prepared for that purpose, or on blank paper ruled up by the student himself.

ACCOUNTS TO BE OPENED IN LEDGERS, WITH NUMBER OF LINES REQUIRED FOR EACH.

For the benefit of the student, and in behalf of economy in the use of Ledger paper, we give below the number of lines required for each account in the nine following Sets.

This apportionment, it will be borne in mind, provides for the Ledger Headings, and also for the necessary space to close up the accounts in due form.

SET I.—Capital 6, Cash 14, Flour 9, Wheat 14, Bills Payable 10, Bills Receivable 8, James Rimmer 9, W. Lingham 6, Robert Thompson 7, H. Corby 7, James Miller 5, Expense 6, Loss and Gain 9, Balance 12.

SET II.—Capital 9, Cash 18, Merchandise 20, W. L. Hamilton 10, Sanderson & Co. 9, A. H. Skinner 9, B. M. Carman 10, R. S. Thompson 8, Expense 12, Loss and Gain 10, Balance 13.

SET III.—Capital 9, Cash 17, Merchandise 16, Bills Payable 10, Bills Receivable 11, Muir & Co. 9, Geo. J. Sherry 9, S. G. Beatty 9, H. Warren 8, Thomas Moore 10, Expense 12, Loss and Gain 10, Balance 12.

SET IV.—Capital 9, Cash 15, Merchandise 15, Bills Receivable 11, Bills Payable 11, Real Estate 5, G. S. Tickell 8, Jakes & Hays 9, G. W. Maybee 8, H. Corby 8, Real Estate Income 5, Expense 11, Interest 8, Loss and Gain 11, Balance 10.

SET V.—Capital 8, Cash 25, Bills Receivable 10, Bills Payable 9, Merchandise 23, J. W. Campion 9, L. W. Yeomans 9, Ames, Holden & Co. 10, F. B. Clarke 8, W. T. Tilley 8, Shipment to Tilley 8, Interest and Discount 10, Expense 12, Ont. Trans. Co. Shares 5, Dividend 6, Loss and Gain 10, Balance 13.

SETS VI. and VII. (under same headings).—Student (Capital account) 13, James Fenwick (Capital account) 10, Cash 27, Merchandise 18, Bills Receivable 13, Bills Payable 13, Furniture 9, Expense 11, Rent 12, Insurance 12, Bank of Montreal 26, Jones & Co's Consig't No. 1 10, W. B. Robinson 10, Jones & Co's Consig't No. 2 10, Charges 14, Commission 14, Jones & Co. 14, W. West's Consig't. No. 1 9, Jones & Co.'s Consig't No. 3 9, H. Holden 8, W. West's Consig't No. 2 9, Jones & Co.'s Consig't No. 4 9, Interest and Discount 10, W. West 9, Solomon Johns 8, Good Will 8, Loss and Gain 18, Balance (for Set VII only) 11.

SET VIII.—(Single Entry) and Set IX., under same headings—J. S. Miller (Capital account) 9, F. Lane (Capital account) 9, J. R. Marvin 8, W. McKay 12, Robert Carey 13, James Goodwin 13, H. Simmons 13. Additional accounts after opening Set IX.; Cash 9, Merchandise 13, Bills Receivable 12, Bills Payable 9, Real Estate 8, Expense 9, Interest and Discount 8, Shipment to B. Way 9, Loss and Gain 9, Balance 11.

SET I.

PRODUCE BUSINESS.

In making the entries in the Day-Book, leave a line between all transactions, putting the date on the line; and in making an entry of several items take a line for each item.

RECORD OF TRANSACTIONS.

Quebec, January 1, 1908.

Commenced business, investing as follows: Cash.....	\$4,000 50
500 bbls. Extra Flour, at \$6.00.....	3,000 00
800 bush. Fall Wheat, at \$1.25.....	1,000 00
Jan. 2—Bought of W. Lingham, for Cash, 50 bbls. Superfine Flour, at \$6.00.....	300 00
“ “ Sold James Rimmer, on acct., 100 bush. Fall Wheat, at \$1.50.....	150 00
“ “ Bought of H. Corby, on my Note, 200 bush. Spring Wheat, at \$1.00....	200 00
“ 3—Sold Robert Thompson, on acct., 400 bush. Fall Wheat at \$1.50.....	600 00
“ “ Bought of W. Lingham, on my Note, 100 bbls. Super. Flour, at \$6.50..	650 00
“ “ Bought of James Wilson, for Cash, 200 bush. Fall Wheat, at \$1.50....	300 00
“ 4—Sold John Smith, for his Note, 100 bush. Fall Wheat, at \$1.75.....	175 00
“ “ Received of James Rimmer, on acct., Cash.....	100 00
“ 5—Bought for Cash, 400 bush. Fall Wheat, at \$1.40.....	560 00
“ “ Sold James Johnson, for Note, 100 bush. Spring Wheat, at \$1.20.....	120 00
“ 6—Bought of H. Corby, on acct., 500 bbls. Extra Flour, at \$6.00.....	3,000 00
“ “ Sold James Miller, on acct., 200 bbls. Extra Flour, at \$6.50.....	1,300 00
“ “ Sold for Cash, 100 bush. Spring Wheat, at \$1.25.....	125 00
“ 8—Sold James Rimmer, on acct., 200 bush. Fall Wheat, at \$1.40.....	280 00
“ “ Received of James Miller, his Note in full of acct.....	1,300 00
“ 9—Paid Cash for Coal.....	25 50
“ “ Sold Robert Thompson, on acct., 250 bush. Fall Wheat, at \$1.50.....	375 00
“ 10—Bought of W. Lingham, on acct. 450 bush. Spring Wheat, at \$1.00....	450 00
“ “ Paid H. Corby on acct.....	1,000 00
“ 11—Sold Robert Brown, 380 bush. Spring Wheat, at \$1.00, and received in payment his Note for \$150, Cash for bal. \$230.....	380 00
“ 12—Bought of W. Lingham, on my Note, 50 bbls. Extra Flour, at \$6.30....	315 00
“ “ Paid Cash for my Note of the 3rd inst., favor of W. Lingham.....	650 00
“ 13—Sold J. Rimmer, on acct., 200 bbls. Extra Flour, at \$7.00.....	1,400 00
“ 15—Paid Cash in full for my Note, favor of H. Corby.....	200 00
“ “ Received of R. Thompson, Cash in full of acct.....	975 00
“ “ Received Cash in full for J. Smith's Note of the 4th inst.....	175 00
“ 16—Gave H. Corby my Note on acct.....	1,000 00
“ 17—Bought of W. Lingham, on acct., 550 bush. Spring Wheat, at \$1.00....	550 00
“ “ Sold J. Rimmer, on acct., 150 bbls. Superfine Flour, at \$8.00.....	1,200 00
“ “ Received Cash in full for J. Johnson's Note of the 5th inst.....	120 00
“ 18—Paid Rent, in Cash.....	140 00
“ “ Goods unsold as per Inventory, Flour, \$3,915; Wheat, \$1,120.	

CAUTION.—In transcribing this set to your Day-Book leave the column blank for your own folios.

22 The Ledger headings for the first nine sets will be found on page 29.

SPECIMEN DAY-BOOK.

TO THE STUDENT.—After becoming familiar with the preceding instructions and studying the examples on journalizing given on pages 27 and 28, you may write up the Day-Book according to the following form, then lay aside the printed book, and journalize the entries of the Day-Book; after which compare with the printed Journal to see if you have journalized correctly; then post to the Ledger, as directed in explanations on posting, independent of the printed book, and make out your Trial Balance and Statements.

Quebec, January 1, 1908.

Journal Folio.				
	*———this day commences the produce business, renting a store from F. Johnson, and investing as follows:			
	Cash,		\$4000 50	
33	500 bbls. Extra Flour,	\$6 00	3000 00	
	800 bush. Fall Wheat,	1 25	1000 00	\$8000 50
	2			
33	Bought of W. Lingham for Cash,			
	50 bbls. Super. Flour,	6 00		300 00
	"			
33	Sold J. Rimmer on account,			
	100 bush. Fall Wheat,	1 50		150 00
	"			
33	Bought of H. Corby on my note,			
	200 bush. Spring Wheat,	1 00		200 00
	3			
33	Sold Robert Thompson on account,			
	400 bush. Fall Wheat,	1 50		600 00
	"			
33	Bought of W. Lingham on my note,			
	100 bbls. Super. Flour,	6 50		650 00
	"			
33	Bought of James Wilson for Cash,			
	200 bush. Fall Wheat,	1 50		300 00
	4			
33	Sold John Smith for his note,			
	100 bush. Fall Wheat,	1 75		175 00
	"			
33	Received of J. Rimmer on account,			
	Cash,			100 00
	5			
33	Bought for Cash,			
	400 bush. Fall Wheat,	1 40		560 00
	"			
33	Sold James Johnson for his note,			
	100 bush. Spring Wheat,	1 20		120 00
	6			
33	Bought of H. Corby on account,			
	500 bbls. Extra Flour,	6 00		3000 00
	"			
33	Sold James Miller on account,			
	200 bbls. Extra Flour,	6 50		1300 00
	Amt. carried forward,			15455 50

* Student to use his own name:

NOTE.—The figures in the narrow column to the left refer to the pages of the Journal upon which the transactions have been journalized, and should be placed in the Day-Book, opposite the transactions, immediately after the Journal entry is made. This is called folioing, and serves the purpose of reference from one book to another, as well as serving as a check indicating that the entry has been transferred.

☛ If goods have been charged in the Day-Book, and the customer pays for them before the entry has been journalized and posted, just mark PAID in the margin in a bold hand, and put the money in the till, to be counted with that day's Cash Sales.

Quebec, Jan. 6, 1908.

	Amount brought forward,			15455 50
33	Sold for Cash, 100 bush. Spring Wheat, 8	\$1 25		125 00
33	Sold J. Rimmer on account, 200 bush. Fall Wheat, 5	1 40		280 00
33	Received of James Miller his Note in full of account, 9			1300 00
33	Paid Cash for Coal, "			25 50
34	Sold R. Thompson on account, 250 bush. Fall Wheat, 10	1 50		375 00
34	Bought of W. Lingham on account, 450 bush. Spring Wheat, "	1 00		450 00
34	Paid H. Corby Cash on account, 11			1000 00
34	Sold Robert Brown, 380 bush. Spring Wheat, Received in payment his Note, Cash for balance, 12	1 00	\$150 00 230 00	380 00
34	Bought of W. Lingham on my Note, 50 bbls. Extra Flour, "	6 30		315 00
34	Paid Cash for my Note of the 3rd inst., 13			650 00
34	Sold J. Rimmer on account, 200 bbls. Extra Flour, 15	7 00		1400 00
34	Paid Cash in full for my Note, favor H. Corby, "			200 00
34	Received of R. Thompson, Cash in full of account, "			975 00
34	Received Cash in full for John Smith's Note of the 4th inst., 16			175 00
34	Gave H. Corby my Note on account, 17			1000 00
34	Bought of W. Lingham on account, 550 bush. Spring Wheat, "	1 00		550 00
34	Sold J. Rimmer on account, 150 bbls. Superfine Flour, "	8 00		1200 00
34	Received Cash in full for J. Johnson's Note of the 5th inst., 18			120 00
34	Paid Cash for Rent, "			140 00
	* Inventory of Goods unsold, Flour, \$3915 Wheat, 1120			26116 00
	Total, \$5035			

*At the end of each set the cost value of goods left unsold is given. In business an inventory of stock is written into the "Stock Book," the amounts and quantities are extended, then added, and the total value of the goods on hand is shown. See Inventory or Stock Book.

SPECIMEN JOURNAL.

Some business men require their Journal to embody brief explanations of their transactions; but we do not introduce this plan now, because, at the beginning, everything that takes the learner's attention off the **Ledger Titles** has a tendency to perplex and embarrass him. Familiarity with the following form will prepare the student for using any other without difficulty.

Quebec, January 1st, 1908.

Led. Fol.			D.R. L.		
37	Cash Dr.			4000 50	
37	Flour "			3000 00	
37	Wheat "			1000 00	
37		To Capital,	31		8000 50
37	Flour Dr.	2		300 00	
37		To Cash,	31		300 00
38	J. Rimmer Dr.			150 00	
37		To Wheat,	31		150 00
37	Wheat Dr.			200 00	
37		To Bills Payable,	31		200 00
38	R. Thomson Dr.	3		600 00	
37		To Wheat,	31		600 00
37	Flour Dr.			650 00	
37		To Bills Payable,	31		650 00
37	Wheat Dr.			300 00	
37		To Cash,	31		300 00
37	Bills Receivable Dr.	4		175 00	
37		To Wheat,	31		175 00
37	Cash Dr.			100 00	
38		To James Rimmer,	31		100 00
37	Wheat Dr.	5		560 00	
37		To Cash,	31		560 00
37	Bills Receivable Dr.			120 00	
37		To Wheat,	31		120 00
37	Flour Dr.	6		3000 00	
38		To H. Corby,	31		3000 00
38	James Miller Dr.			1300 00	
37		To Flour,	31		1300 00
37	Cash Dr.			125 00	
37		To Wheat,	32		125 00
38	J. Rimmer Dr.	8		280 00	
37		To Wheat,	32		280 00
37	Bills Receivable Dr.			1300 00	
38		To James Miller,	32		1300 00
38	Expense Dr.	9		25 50	
37		To Cash,	32		25 50
Amts. carried forward,				17186 00	17186 00

NOTE. The figures in the narrow columns are the pages of the Day-Book and Ledger; those to the left are Ledger folios, and those to the right Day-Book folios. By the latter we are able to refer readily to the the book of original entry, and by the former to the Ledger account.

Quebec, January 9th, 1908.

		Amounts brought forward,		17186 00	17186 00
38	R. Thompson Dr.			375 00	
37		To Wheat,	32		375 00
		10		450 00	
37	Wheat Dr.				450 00
38		To W. Lingham,	32		
		"		1000 00	
38	H. Corby Dr.				1000 00
37		To Cash,	32		
		11		150 00	
37	Bills Receivable Dr.			230 00	
37	Cash Dr.				380 00
		To Wheat,			
		12		315 00	
37	Flour Dr.				315 00
37		To Bills Payable,	32		
		"		650 00	
37	Bills Payable Dr.				650 00
37		To Cash,	32		
		13		1400 00	
38	J. Rimmer Dr.				1400 00
37		To Flour,	32		
		15		200 00	
37	Bills Payable Dr.				200 00
37		To Cash,	32		
		"		975 00	
37	Cash Dr.				975 00
38		To R. Thompson,	32		
		"		175 00	
37	Cash Dr.				175 00
37		To Bills Receivable,	32		
		16		1000 00	
38	H. Corby Dr.				1000 00
37		To Bills Payable,	32		
		17		550 00	
37	Wheat Dr.				550 00
38		To W. Lingham,	32		
		"		1200 00	
38	J. Rimmer Dr.				1200 00
37		To Flour,	32		
		"		120 00	
37	Cash Dr.				120 00
37		To Bills Receivable,	32		
		18		140 00	
38	Expense Dr.				140 00
37		To Cash,	32		
				26116 00	26116 00

SPECIMEN OF DAY BOOK AND JOURNAL on same or opposite pages of one Book, having Day Book and Journal Entries directly opposite each other.

DAY BOOK.				JOURNAL.			
	1st				1st		
30	Bot. of W. Lingham for cash,			34	Flour Dr.	\$300 00	
	50 bbls. Flour,	\$6.00	\$300 00	34	To Cash,		\$300 00
	2nd				2nd		
30	Sold J. Rimmer on account,			35	J. Rimmer Dr.	150 00	
	100 bush. Wheat,	\$1.50	150 00	34	To Wheat,		150 00
	"				"		
30	Bot. of H. Corby on my Note,			34	Wheat Dr.	200 00	
	200 bush. Spring Wheat,	\$1.00	200 00	34	To Bills Payable,		200 00

LEDGER.

You have now finished the most difficult part of your task, the problem being solved; for each Debit you have found a corresponding Credit. This, in the main, is the science of Double Entry Bookkeeping. The Journal items having been prepared, you will now carry them to the Ledger, *i. e.*, *post* them.

Posting.—Every account mentioned in the Journal must have a page or part of a page in the Ledger, and the carrying to the accounts from the Journal to the Ledger all the items of debit and credit is called *posting*.

The Ledger is usually opened by placing Capital, or the partners' names, at the beginning, in a clear text hand, followed by the most prominent accounts, such as Cash, Merchandise, Bills Payable, Bills Receivable, etc., as shown in the Model Ledger. Insert the abbreviations Dr. and Cr. at the top of the page only. In expressing the entry upon the Ledger it will be seen that a debit is always "To" that account which receives credit for the sum, and the Cr. account expresses the same entry "By" the account that was made Dr. for the same sum. If the corresponding credit for a debit is to several accounts, we say "To Sundries." If the corresponding debit for a credit is to several accounts, we say "By Sundries."

Now, under each account you place all the entries that belong to it, found in the Journal, transferring the entries from the Journal to the Ledger in the order in which they occur.

You first turn to Cash Account, and on the Dr. side place the words "To Capital." This signifies that Cash, or the Cash Account, owes the proprietor for the amount of investment. In the first ruled column, called the folio column, you place the page of the Journal and in the next columns the amount. You next turn to the Cr. side of the Capital Account, and place the words "By Cash," signifying that Capital is credited by Cash, and carry the Journal page, or folio, to the first column and the amount to the next columns, and thus proceed, carrying all the Journal entries to their respective places in the Ledger. Then you will find in the Ledger, as in the Journal, for each debit there is a corresponding credit.

The learner will acquire the process of posting more readily by seeing it done on a printed Ledger than by any other means.

INDEX TO THE LEDGER.

This is a small book, or space ruled in the account book, in which are arranged, in alphabetical order, the names of all accounts in the Ledger, together with the pages on which accounts are entered.

The object of keeping it is to enable us to refer readily to the accounts in the Ledger. Whenever we open an account in the Ledger we enter the name of the account and the number of the page in the Index. If an account should be transferred to another page, a red line should be ruled through the figures of the old page, and the number of the new page placed in the Index.

In real business the Index generally has a page allotted to each letter. The following illustrations will be sufficient to explain how it is kept:

INDEX.

A	PAGE.	K	PAGE.
B		L	
Bills Receivable,	35	Lingham, W.,	36
Bills Payable,	35		
C		M	
Capital	37		
Cash,	35	N	
Corby, H.,	36		
D		O	
E		P	
Expense,	36		
F		Q	
Flour,	35	R	
G		Rimmer, James,	36
H		S T	
I			
J		U V W	
		Wheat,	35

CAUTION.—Just as soon as an account is opened in the Ledger, index it; even before you post to it. Omission to index might occasion the opening of several accounts for the same thing, which would lead to much trouble and confusion.

When it is necessary, owing to the leaf being filled, to transfer an account to another page of the Ledger, *don't balance the account*, but add each side and carry the totals to the new page. Write on the last line, on each side of the old page, "Carried to Folio—," and on the first line of each side of the new page, "Brought from Folio—," and put the new page in the index. Also date the transfer in the new page.

Always draw a line through the unused space (as in example); the object is to prevent the possibility of entries being posted to this page after the transfer.

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Dr.

Bills Receivable.

Cr.

1908				1908			
Jan	5	To Mdse.	560 00	Jan	29	By Sundries	1560 00
"	9	" John Jones	1000 00	May	2	" Cash	1500 00
"	29	" Mdse.	1500 00	"	22	" do	390 00
Feb	19	" Thos. Moss	390 00				
"	28	" J. C. Yates	160 20				
Mar	3	" A. B. Todd	900 00				
"	21	" Mdse.	630 00				
Apr	1	" Chas. Johnson	639 80				
"	15	" Thos. Willis & Co.	56 00				
May	3	" Mdse.	620 00				
"	15	" Sundries	590 00				
		Carried to Folio	160 7046 00			Carried to Folio	160 3450 00

Don't draw lines underneath the figures. That is done only when an account is closed or balanced.

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Dr.

Bills Receivable.

Cr.

1908				1908			
May	22	Brought from Folio	59 7046 00	May	22	Bro't from Fol.	59 3450 00

SPECIMEN LEDGER.

DR. (Existing debts at starting. Amounts withdrawn and net loss, if any.) CAPITAL. (Investments and net gain, if any.) CR.

1908					1908				
					Jan.	1	By Sundries,	33	8000 50

(Received.)

CASH.

(Paid out.)

Jan.	1	To Capital,	33	4000 50	Jan.	2	By Flour,	33	300 00
"	4	" J. Rimmer,	33	100 00	"	3	" Wheat,	33	300 00
"	6	" Wheat,	33	125 00	"	5	" "	33	560 00
"	11	" "	34	230 00	"	9	" Expense,	33	25 50
"	15	" R. Thompson,	34	975 00	"	10	" H. Corby,	34	1000 00
"	15	" Bills Rec.,	34	175 00	"	12	" Bills Pay.,	34	650 00
"	17	" "	34	120 00	"	15	" "	34	200 00
					"	18	" Expense,	34	140 00

(Purchases.)

*FLOUR.

(Sales.)

Jan.	1	To Capital,	33	3000 00	Jan.	6	By J. Miller,	33	1300 00
"	2	" Cash,	33	300 00	"	13	" J. Rimmer,	34	1400 00
"	3	" Bills Pay.,	33	650 00	"	17	" "	34	1200 00
"	6	" H. Corby,	33	3000 00					
"	12	" Bills Pay.,	34	315 00					

(Purchases.)

*WHEAT.

(Sales.)

Jan.	1	To Capital,	33	1000 00	Jan.	2	By J. Rimmer,	33	150 00
"	2	" Bills Pay.,	33	200 00	"	3	" R. Thompson,	33	600 00
"	3	" Cash,	33	300 00	"	4	" Bills Rec.,	33	175 00
"	5	" "	33	560 00	"	5	" "	33	120 00
"	10	" W. Lingham,	34	450 00	"	6	" Cash,	33	125 00
"	17	" "	34	550 00	"	8	" J. Rimmer,	33	280 00
					"	9	" R. Thompson,	34	375 00
					"	11	" Sundries,	34	380 00

(My Notes and Acceptances)
Redeemed.

BILLS PAYABLE.

(My Notes and Acceptances)
Issued.

Jan.	12	To Cash,	34	650 00	Jan.	2	By Wheat,	33	200 00
"	15	" "	34	200 00	"	3	" Flour,	33	650 00
					"	12	" "	34	315 00
					"	16	" H. Corby,	34	1000 00

(Others' Notes and Acceptances)
received.

BILLS RECEIVABLE.

(Others' Notes and Acceptances)
disposed of.

Jan.	4	To Wheat,	33	175 00	Jan.	15	By Cash,	34	175 00
"	5	" "	33	120 00	"	17	" "	34	120 00
"	8	" J. Miller,	33	1300 00					
"	11	" Wheat,	34	150 00					

TO THE STUDENT.—Observe the analyses of the accounts and study thoroughly. Read in connection with these from page 19 to page 24.

* The analyses of Flour and Wheat are the same as Merchandise.

Dr.	(My Acct.) (against him.)				JAMES RIMMER	(His Acct.) (against me.)				Cr.
1908					1908					
Jan.	2	To Wheat,	33	150 00	Jan.	4	By Cash	33	100 00	
"	8	" "	33	280 00						
"	13	" Flour	34	1400 00						
"	17	" "	34	1200 00						

W. LINGHAM.										(His Acct.) (against me.)
					Jan.	10	By Wheat,	34	450 00	
					"	17	" "	34	550 00	

(My Acct.)					ROBERT THOMPSON.					(His Acct.)				
(against him.)										(against me.)				
Jan.	3	To	Wheat,	33	600 00	Jan.	15	By	Cash,	34	975 00			
"	9	"	"	34	375 00									

(My Acct.) (against him.)				H. CORBY.		(His Acct.) (against me.)			
Jan.	10	To Cash,	34	1000 00	Jan.	6	By Flour,	33	3000 00
"	16	" Bills Pay.,	34	1000 00					

(My Acct.) (against him.)				JAMES MILLER.				(His Acct.) (against me.)			
Jan.	6	To Flour,	33	1300 00	Jan.	8	By Bills Rec.,*	33	1300 00		

(Outlay for) (Expenses.)				EXPENSE.				
Jan.	9	To Cash,	33	25 50				
"	18	" "	34	140 00				

*The plan is frequently adopted of ruling a special column on the Cr. side of personal accounts to show the due date of customers' notes. It may also, of course, be done on the Dr. side to show the due dates of your own notes.

Posting to the Ledger is often abbreviated. Instead of taking a line for each of the items debited or credited, they are shortened as in the following account. The lower figures are amounts of debits or credits, and the upper figures folios of Day-Book, or Journal, or Sales-Book, or Purchase-Book, or Cash-Book, as the case may be. \$98.70 is the total of the debits for June; \$35.00 the total of the credits for July.

Dr.	JOHN JONES.								Cr.
1908	29	31	43		1908	83	91		
June	To \$57.80	36.90	4.00	98 70	July	By \$10.00	25.00		35 00

TEST OF THE LEDGER.

The first thing to be done after the transactions of a set have been posted is to test the correctness of your work, by comparing the amounts of the two sides of the Ledger, to see that the sum of the Dr. side of all Ledger accounts equals the sum of the Cr. side.

This is accomplished by making out a Trial Balance.

TRIAL BALANCE.

As you have been making an equal debit and credit in all postings to the Ledger, it follows that, if the work has been done correctly, the total debits and credits of the Ledger should agree, or balance. You make the Trial Balance test. This is done by first footing the items of the different accounts, placing the amounts in light pencil marks, which should be erased after the completion of the work. The totals of the accounts are carried to the Trial Balance, as per model form, leaving out such accounts as close themselves. By adding to the footings of the Trial Balance given, the footings of accounts that close themselves, you will find that they exactly correspond with those of the Journal, which would not be the case if any of the Journal entries were not posted; and as the footings of the Journal columns also tally with those of the Day-Book, it is almost conclusive that all the original entries have found their way to the Ledger. There will remain but two chances of errors in the accounts, viz.: From improper Journal entries, or from posting to the wrong accounts in the Ledger.

It will be observed from the foregoing remarks that the Trial Balance is not always a strict proof of the correctness of the work, though it is so nearly a test that, under ordinary circumstances, it may be considered satisfactory.

A Trial Balance may be taken with the balance columns only (see the municipal set), or with the footings columns only. In a real business, a Trial Balance may be taken monthly (see form of monthly Trial Balance), and should be taken as often as once in three months, even though the books are closed but once a year. Never attempt to close a Ledger that is out of balance. The error, or errors, will be found somewhere by careful, patient checking. When a bookkeeper first takes charge of a set of books that have previously been kept by another, he should take off a Trial Balance to prove if the Ledger is in balance. If not in balance he should find the errors before making any entries in it.

TRIAL BALANCE.—SET I.

Dr. Bal.	Dr. Footings.	L. F.	ACCOUNTS.	Cr. Footings.	Cr. Bal.
		37	Capital.....	8000 50	8000 50
2550 00	5725 50	37	Cash.....	3175 50	
3365 00	7265 00	37	Flour.....	3900 00	
855 00	3060 00	37	Wheat.....	2205 00	
	850 00	37	Bills Payable.....	2165 00	1315 00
1450 00	1745 00	37	Bills Receivable.....	295 00	
2930 00	3030 00	38	James Rimmer.....	100 00	
		38	W. Lingham.....	1000 00	1000 00
	2000 00	38	H. Corby.....	3000 00	1000 00
165 50	165 50	38	Expense.....		
11315 50	23841 00			23841 00	11315 50

NOTE.—The Ledger from which the foregoing Trial Balance was taken does not contain all the results of the business. Hence, in getting at the data from which to ascertain the net worth or the net gain or loss, it will be necessary to go beyond the Ledger, and estimate the value of the unsold merchandise or other similar property.

In each of the statements which follow, an Inventory of unsold property is supposed to have been taken, the results being given.

THE FINANCIAL RESULT ;

THE NET GAIN OR THE NET LOSS MADE IN BUSINESS DURING A GIVEN PERIOD.

The object which every one engaged in business pursues is to make net profit (called, "making money"). The profits of a business may be derived from several sources. If there were no expenses incurred in making them, then the sum of the various sources of profit would be the actual or net profit. But there must be expenses and losses in carrying on business and they are, for the most part, many and varied. If the sum of the expenses and losses is less than the sum of the profits, the difference is the net profit ; if the sum of the expenses and losses is greater than the sum of the profits the difference is the net loss. The Statement of Losses and Gains for Set I., given at page 41 shows gains from selling Flour and Wheat to be \$815.00 ; the expenses of running the business amounted to \$165.50 ; therefore the sum of the gains minus the sum of the expenses shows net gain to be \$649.50.

One of the advantages of the double entry system of bookkeeping is, that the various sources of profits and their amounts and the various sources of losses or expenses and their amounts are shown through the Representative Accounts (See "Classification of Accounts" page 43) and when these are closed into the Loss and Gain Account at the end of the year, the net profit is determined by subtracting the sum of the Dr. side (the losses) from the sum of the Cr. side (the gains) ; or the net loss is determined by subtracting the sum of the Cr. side (the gains) from the sum of the Dr. side (the losses) and the result shown (the balance) is carried from the Loss and Gain Account either to the Cr. side of the Capital (the proprietor's) Account if a net gain, or to the Dr. side of the Capital Account if a net loss. See Loss and Gain account page 51 and Capital account page 49.

THE FINANCIAL STANDING ;

THE WORTH OR INSOLVENCY OF THE PROPRIETOR AT THE END OF THE BUSINESS YEAR.

Having ascertained the *result* of running the business, namely, the net gain or the net loss, the next, and equally important matter, is to determine the *financial standing* ; in other words find the net worth or net insolvency of the business. To secure the information necessary for this purpose we have recourse to the Real Accounts in the Ledger (See "Classification of Accounts" page 43) and to the inventory or inventories of goods, etc., on hand, ascertained by "taking stock." From these we make out a Statement of the Resources (Assets) and Liabilities (Debts). If the sum of the Resources is larger than the sum of the Liabilities, the difference is the net worth, or present capital ; if the sum of the Liabilities is larger than the sum of the Resources, the difference is the amount that the proprietor is insolvent.

In the Statement of Resources and Liabilities for Set I. at page 42, it will be seen that the sum of the Resources is \$11,965, and that the sum of the Liabilities is \$3,315, the difference being the present worth or capital, \$8,650. Having kept the books on the double entry principle, you test the proof of the accuracy of the capital shown in the Statement in this way : the proprietor invested \$8000.50 in the business, he has not withdrawn anything from it, the Loss and Gain Statement shows (as will also the Loss and Gain Account when you reach it) a net gain of \$649.50 ; hence \$8000.50 invested, plus \$649.50 gain, equals \$8,650 Capital, which is the difference between the Resources and Liabilities of the business.

You will remember that the Representative Accounts, those showing the losses and gains, are closed into the Loss and Gain Account and the Loss and Gain Account is closed into the Capital Account. When this has been done, you will then close (or balance) the Real Accounts, those showing the Resources and the Liabilities. If the Ledger is to be continued in use (as is usually the case) you will balance the Real Accounts and bring down the balances as explained and illustrated at pages 51 to 52 ; if the Ledger is not to be continued in use (as in this set) you will balance these accounts and carry the balances to the "Balance" Account instead of bringing them down. See Balance Account, page 51.

You will find perfect guidance to the systematic closing of the Ledger at pages 46 to 52.

NOTE.—It is necessary that the student should understand well the classes into which accounts are divided ; to attain this, study carefully the explanations on page 43, and also the subjects on pages 40 and 41.

I.—STATEMENT OF LOSSES AND GAINS.*

(RESULT OF ANALYSIS OF ACCOUNTS THAT SHOW GAIN OR LOSS).

		LOSSES.	GAINS.
Flour, unsold per Inventory.....	3915		
" Cr. or proceeds from sales.....	3900		
" Total proceeds.....	7815		
" Dr. or Cost.....	7265		
" Difference or gain.....			550 00
Wheat, unsold per inventory.....	1120		
" Cr. or proceeds from sales.....	2205		
" Total proceeds.....	3325		
" Dr. or cost.....	3060		
" Difference or gain.....			265 00
Expense, Dr. or outlay, a loss.....		165 50	
*Difference between Gains and Losses or Net Gain.....		*649 50	
*Red Ink.		\$815 00	\$815 00

The material for this and the following Statement is found in the Trial Balance on Page 39, except the value of unsold property, which is taken from the inventory given at the end of the Day-Book, page 32.

*Also called Statement of Revenue and Expenditure (what was earned and the cost of earning).

STATEMENT OF RESOURCES AND LIABILITIES.

(Analysis of accounts that show Resources and Liabilities for the purpose of ascertaining the Net Worth or Net Insolvency of the Business).

	Resources	Liabilities
1.—FROM INVENTORIES.		
FLOUR unsold as per inventory.....	\$3915 00	
WHEAT unsold as per inventory.....	1120 00	
2.—FROM LEDGER ACCOUNTS.		
CASH Dr. Amount received.....	\$5725 50	
" Cr. " paid out.....	3175 50	
Difference, amount on hand.....	2550 00	
BILLS PAYABLE Cr. my Notes issued.....	\$2165 00	
" " Dr. " redeemed.....	850 00	
" " Difference, my outstanding Notes.....		\$1315 00
BILLS RECEIVABLE Dr. other people's Notes received..	\$1745 00	
" " Cr. " " " disposed of	295 00	
Difference, others' Notes on hand.....	1450 00	
JAMES RIMMER Dr. my Acct. against him.....	\$3030 00	
" " Cr. his " " me.....	100 00	
Difference, he owes me.....	2930 00	
W. LINGHAM Cr. his Acct. against me—I owe him.....		1000 00
H. CORBY Cr. his Acct. against me.....	\$3000 00	
" Dr. my " " him.....	2000 00	
Difference, I owe him.....		1000 00
*Proprietor's Net Investment.....	*\$8000 50	
" " Gain as per Statement.....	649 50	
" " Worth, or present Capital †.....		*\$8650 00
Proof.....	\$11965 00	\$11965 00

*Red Ink.

†This is the sum that the business owes to the proprietor at the close of the business year

QUESTIONS FOR REVIEW.—CHAPTER II.

Of what does a business transaction consist? Upon what theory is it based? Is this theory always literally true? How many entries does the complete record of a transaction require? Mention the four forms the records of a business transaction may require. What is the main object of a business record? In what books are business transactions first recorded? How is the Ledger usually opened? Mention some of the most prominent accounts found in the Ledger. What is an Index to the Ledger? What is the principal object in keeping it? When an account is transferred to another page, what should be observed? What is the first thing to be done after the transactions of a set have been posted? How is this accomplished? Why is a Trial Balance taken? Is the Trial Balance always a proof of the correctness

of the work? How often should a Trial Balance be taken? How can the real value of property on hand be ascertained? What is this process called in business? How is the financial result of a given period ascertained? How is the present worth or insolvency determined? In classifying accounts, what two grand objects are kept in view? Analyze each of the accounts on pages 37 and 38.

CHAPTER III.

CLASSIFICATION OF ACCOUNTS.

It has been clearly shown, in the preceding exercises, that the *results* of transactions may be readily grouped or classified so as to exhibit distinct facts, each important in showing the condition of the business; as, for instance, the amount of cash on hand, as shown in the Cash account; other people's notes on hand, as shown in the Bills Receivable account; our outstanding notes, as shown in the Bills Payable account, the amounts owing to or by individuals; the gain or loss from dealing in goods, as shown in the Merchandise account, the cost of running the business, as shown in the Expense account, etc., etc.

We have also given in the preceding statements forms for gathering up these separate facts, and by a proper combination and comparison of them, have exhibited the results which lie at the end of all faithful records, viz., the exact *present* condition of the business or its net worth, and the *current* condition of the business or its net *gain* or *loss* for a given period.

A thorough comprehension of the nature and purpose of each account will at once suggest its position in the statement or classification.

CLASSIFICATION.

Accounts are divided into two classes: *Real* and *Representative* (See also "Balancing Accounts," pages 45 and 46).

Real accounts are those that show a *resource* or *liability*. They are Cash, Bills Receivable, Bills Payable, Bank, Accounts with Persons, etc.

Representative Accounts are those that exhibit either a *gain* or a *loss*, such as Expense, Rent, Salary, Interest, etc.; and also accounts of a speculative character, such as Merchandise, Real Estate, Stocks, Chattels, etc.

Every gain made in business is practically an addition to the Capital, and every expense or loss is a decrease of Capital; but it would not be practicable to credit or debit the account representing capital as the separate gains or losses occur. They are shown through the representative accounts during the year, and at the end of it are closed into Loss and Gain account. If, when this is done, the credit side of Loss and Gain account is the larger, an addition to the Capital has resulted, and the Capital account will be credited with the sum made; if the debit side is the larger, a decrease of capital has resulted, and the Capital account will be debited with the amount lost.

Understanding the preceding classification of accounts, the student will be able to discern at a glance under what head an account should be arranged in a balance sheet, and how it should be closed in the Ledger.

RESOURCES AND LIABILITIES.

The following preliminary propositions will aid you in making out Statements :

A RESOURCE OR ASSET, in business language, is any debt owing to you and any species of property belonging to you to which a financial value may be attached.

All Resources having a *fixed* value may be continually shown in the Ledger accounts representing them. These are Cash, Notes, Bank, Personal accounts, etc.

All Resources having a *fluctuating* or variable value must be estimated by a cash standard, whenever it becomes necessary to know their value. Of such resources are Merchandise of all kinds, Real Estate, Fixtures, Plant (meaning machinery), etc.

A LIABILITY is any debt owing by you.

LIABILITIES being debts owing, they cannot vary much in form. They are represented on the Ledger by Personal accounts, Bills Payable and Mortgages Payable accounts, the distinction being only as between what we owe without having given a written obligation, and what we owe on written obligations.

The difference between the Resources and Liabilities of a business is, when the Resources exceed the Liabilities, its *net worth*, and when the Liabilities exceed the Resources, its *net insolvency*.

One marked peculiarity of Resources and Liabilities, as shown in the Ledger, should not escape the learner's attention, viz. : Resources are invariably shown by excess of the *debit*, and Liabilities by excess of the *credit* side of Real accounts.

To ascertain net worth or net insolvency, read again at pages 40 and 41.

Inasmuch as net worth or absolute wealth is measured by the excess of Resources over Liabilities, the increase in wealth must be the result either of increase of Resources or decrease of Liabilities ; and decrease in wealth the result of decrease of Resources or increase of Liabilities.

To find the net gain or net loss, read again at page 40.

EXERCISES.

The student may at his leisure test his familiarity with the foregoing lessons by rendering analyses or statements of Losses and Gains, and of Resources and Liabilities from the following exercises :

TRIAL BALANCE.—SINGLE PROPRIETOR.

Dr. Balance	Dr. Footings	L. F.		Cr. Footings	Cr. Balance
	\$ 150	1	Capital.....	\$7500	\$7350
\$1044 27	4170 17	2	Mdse. (unsold \$2,000).....	325 90	
1532 17	5750 29	3	Cash.....	4218 12	
500	500	4	Robert Baker,.....		
6685	7000	5	Real Estate (unsold \$6,900)...	315	
1000	1500	6	Bills Receivable.....	500	
	400	7	Bills Payable.....	1200	800
79 25	154 25	8	Geo. Ritchie & Co.....	75	
1061	1200	9	Warner Bros.....	139	
375	375	10	Expense.....		
	1400	11	N. Jones.....	2100	700
		12	Hunt & Co.....	170	170
45	120	13	Interest and Discount.....	75	
		14	W. P. Graham.....	3601 69	3601 69
300	300	15	Loss and Gain.....		
12621 69	23019 71		—Equilibrium—	23019 71	12621 69

Net capital at commencing, \$7,350. Net gain, \$450.73.

Net capital at closing, \$7,800.73.

TRIAL BALANCE.—PARTNERSHIP BUSINESS.

L. F.		DR.	CR.
1	S. G. Beatty (<i>Partner</i>)*	\$3000	\$16863 13
2	W. B. Robinson (<i>Partner</i>)*		12000
3	Cash.....	9732 10	4719 22
4	Merchandise (<i>Value unsold \$5,159.50</i>).....	7350	3719 50
5	C. P. R. Stock (<i>Value unsold \$12,000</i>).....	12000	
6	Bills Receivable.....	7000	5000
7	Bills Payable.....	3180	6180
8	Real Estate (<i>Value unsold \$8,000</i>).....	7500	150
9	Robertson & Henry.....	1150	920
10	G. C. Holton & Co.....		1500
11	Expense.....	125	
12	Interest.....	28	13 25
13	W. W. Jones.....	1795	795
14	John Cook.....	1290	840
15	Conger Bros.....		1450
		\$54150 10	\$54150 10

S. G. Beatty's net capital at commencing, \$13,863.13.

W. B. Robinson's net capital at commencing, \$12,000.

Total net gain, \$2,039.25; each partner's share of gain, \$1,019.62½.

S. G. Beatty's net worth at closing, \$14,882.75.

W. B. Robinson's net worth at closing, \$13,019.63.

BALANCING ACCOUNTS.

Balancing accounts is placing a sufficient sum on the smaller side to make it equal to the greater. Add the two sides of the account, subtract the smaller from the greater, and enter the difference on the side that is less.

Real accounts close, "To," or "By Balance."

* Partners' accounts are treated precisely the same as the Capital account; the net amount owing to the partners being the net worth or net investment of the concern. In this instance divide the gain equally.

Before closing a *speculative* account, whatever property belongs to it remaining unsold must be entered on the credit side, thus: "*By Balance Inventory*" as an offset against its cost, which has already been placed on the debit side, after which the account closes into "*Loss and Gain*."

Representative accounts close, "*To*," or "*By Loss and Gain*."

As *Resources* are shown by an excess of the debit side of *Real* accounts, and *liabilities* by an excess of the credit side; and as *losses* are shown by an excess of the debit side of the *Representative* accounts, and *gains* by an excess of the credit side of *Representative* accounts, it will be necessary to open two accounts for these general results—one to contain the resources and liabilities, and the other the gains and losses.

You will, therefore, open these accounts, under the titles of "*Loss and Gain*," and "*Balance*," the former to contain the results of the *Representative*, and the latter of the *Real* accounts.

As all gains in business must appear either in an increase of resources or a decrease of liabilities, and as all losses must appear either in a decrease of resources or an increase of liabilities, it will be plain that the two classes of accounts, *Real* and *Representative*, must always run parallel.

You will do well to observe particularly and follow out in practice the following

ORDER OF CLOSING ACCOUNTS :

1st.—Take off a Trial Balance, and statements showing losses and gains and resources and liabilities.

2nd.—Open an account with "*Loss and Gain*" (if not already opened), and another with "*Balance*,"* the former to contain the *Losses and Gains*, and the latter the *Resources and Liabilities*.

3rd.—Ascertain, by taking stock, the cost value of any property remaining unsold ; and enter this value on the credit side of its account, making the entry in *red ink*, "*By Balance Inventory*," and transferring the amount directly to the debit side of "*Balance account*," making the entry in *black ink*, "*To Merchandise*," or the name of the account from which the transfer is made. The Ledger accounts will each show, now, one of the four following results, viz. : A Resource, a Liability, a Gain, or Loss, and are in a condition for closing.

4th.—Defer closing Capital (or the Partners' accounts) till the last, because it is to be debited with the loss or credited with the gain from the Loss and Gain account ; commence with the next account in the Ledger. First ascertain whether it shows a resource or liability, a loss or a gain, and make the closing entry accordingly. If the difference shows a resource or a liability, enter upon the smaller side, in *red ink* "*To*," or "*By Balance*," as the case may be, and transfer the amount in *black ink* to the opposite side of the "*Balance Account*." If the difference represents a gain or loss, enter on the smaller side, in *red ink*, "*To*," or "*By Loss and Gain*," and transfer the amount in the same manner to Loss and Gain account. Close all the accounts (except Capital or Partners'), and transfer the balances as directed. The Loss and Gain account will now show, on the debit side all the losses, and on the credit side all the gains, the difference being the net loss or net gain. The

* When the business is to be continued, instead of closing the *Real* accounts into *Balance account*, you bring down the balances, as is done in Set VI. To balance an account (which is usually done in *red ink* to distinguish it from ordinary entries) is to exhibit its condition; if it shows an asset or resource it is closed temporarily, *By Balance*, and ruled and footed to mark a period, and a condition at that period; for the same reason, if it shows a liability it is closed, *To Balance*, but it is immediately re-opened by bringing down the balance on the opposite side. For examples see pages 51 and 52.

"Balance account" will show on the debit side all the Resources, and on the credit side all the Liabilities, the difference being the present investment or insolvency of the proprietor or proprietors.

5th.—Close Loss and Gain account into Capital, or, if it be a partnership business, into the Partners' accounts, dividing the gain or loss according to agreement. The Capital or Partners' accounts will now show the original investment increased by the gain or decreased by the loss, the difference between the two sides of this account or these accounts being the *present* net investment or insolvency. Inasmuch as the difference between the two sides of the Balance account shows the same thing, the accounts must, of course, agree.

6th.—Close Capital (or Partners' accounts) into Balance account, which must equalize that account; it showing now, on one side, the total Resources, and, on the other side, the total Liabilities, and presenting, in the most condensed form, the exact present condition of the business.

CLOSING THE LEDGER.

In the preceding form, it was thought best to leave the Ledger in its open or current condition, the results of the business being shown in separate statements. When the object is to know simply the condition of the business, this method is sufficient; but when it becomes necessary to mark the progress of the business in some enduring manner upon the Ledger, the accounts must be "closed," and the balances exhibited.

The object of closing the Ledger is to put an end to its current condition by disposing of the REPRESENTATIVE accounts; for, inasmuch as the proprietor is credited with his net investment, it follows that whenever that net investment is increased by the net gain of a given period, his account should get the benefit of it. And, on the same reasoning, if the business is unprofitable he should be charged with the loss. As it would be impracticable to carry the separate gains and losses to the proprietor's accounts when they accrue, they are permitted to remain in the accounts producing them till the Ledger is closed. In business houses, books are usually closed once a year, and in some establishments, every six months, thus marking an era in the business.

We shall now take the student carefully through the process of Closing the Ledger of Set I.

Having gone through the process of Journalizing, and posting the transactions in Set I., and taken off a trial balance to satisfy ourselves that the work has been properly performed, and statements showing the losses and gains and the resources and liabilities, we now proceed, according to the following instructions, to close the Ledger accounts.

We open "*Loss and Gain*" and "*Balance*" accounts as directed on page 46.

The first account (after Capital) is Cash. This account represents a resource consisting of cash in hand, \$2,550. We *close* the account by entering the difference, *in red ink*, "By Balance," on the credit side, and footing up the sides, drawing double *red* lines underneath. The red ink entry, or *balance*, is transferred immediately to the *debit* side of Balance account.

The next account is Flour; if not already done, you will now place the inventory of unsold flour, \$3,915 (given at the end of the Day-Book, page 32), on the *credit* side of the account in *red ink* thus, "Jan. 20, By Bal. Inv. \$3,915," and transfer it at once to the *debit* side of Balance account thus, "Jan. 20, To Flour \$3,915," in *black ink*. The inventory having been placed on the *credit* side of Flour account, the account now shows (as you have

already ascertained in the loss and gain statement) a gain of \$550, and is closed on the *debit* side thus, "Jan. 20, To Loss and Gain \$550," in *red ink*, and the gain is transferred at once to the *credit* side of Loss and Gain account thus, "Jan. 20, By Flour \$550," in *black ink*.

The next account, Wheat, is closed in the same way. The next, Bills Payable, shows a *Liability*, consisting of our unredeemed Notes, and is closed "To Balance \$1,315." This *balance* is transferred to the *credit* side of Balance account. Bills Receivable account is closed in the same manner as Cash, the balance being transferred as a resource to Balance account. The next account, James Rimmer, is closed in the same way. The next, W. Lingham, shows a *Liability*, and is transferred to the *credit* side of Balance. Robert Thomson's account already balances, and we close it by simply footing and ruling it. H. Corby's account shows a *Liability*, and the balance is transferred to the *credit* side of Balance. The next account, James Miller, already balances; and as there is but one entry on each side, we close it by simply ruling double red lines. Expense account shows a *loss*, and is closed "By Loss and Gain, \$165.50," and transferred to *debit* side of Loss and Gain.

We have now the result of all the accounts exhibited under the Ledger heads of Loss and Gain, and Balance. The Loss and Gain account should agree with the Loss and Gain statement, and the Balance account with the Resource and Liability statement, and it will be well to compare them just here. If the balances have been properly transferred, these accounts, together with the (unclosed) Capital account, must be in equilibrium, as shown

	<i>Dr.</i>	<i>Cr.</i>
Capital.....		\$ 8000 50
Loss and Gain.....	\$ 165 50	815 00
Balance.....	11965 00	3315 00
	\$12130 50	\$12130 50

After the balances have been properly transferred, we proceed to accomplish the principal object of closing the Ledger, by carrying the difference between the two sides of the Loss and Gain account, or, in this case, net gain of \$649.50, to the credit side of Capital account.

The Capital account now contains the capital invested, increased by the gain, which must equal the *present worth*, as shown by the Balance account. We now close Capital account into Balance, which must produce an equilibrium of the Balance account, and complete, in that account, the record of Resources and Liabilities.

The Balance account is used for its convenience in collecting, under one title, all the Resources and Liabilities. The same effect may be produced by bringing down the balances under the *REAL* accounts. The latter method is adopted in business where the same Ledger is continued in use from year to year. See pages 51 and 52 for illustration.

The student should remember that in no one thing does the proficiency of a practical accountant more plainly manifest itself than in neatness of arrangement and execution.

He should observe particularly the form adopted in ruling, and be careful to place all Balances, Inventories and ruling with *red ink*, and all Transfers with black ink.

SPECIMEN LEDGER—CLOSED.

See Explanations, pages 45 to 48.

Dr.				CAPITAL.				Cr.			
1908	Jan.	20	To Balance	51	8650 00	1908	Jan.	1	By Sundries*	33	8000 50
								20	" Loss and Gain	51	649 50
					8650 00						8650 00

CASH.

Jan.	1	To Capital,	33	4000 50	Jan.	2	By Flour,	33	300 00
"	4	" J. Rimmer,	33	100 00	"	3	" Wheat,	33	300 00
"	6	" Wheat,	33	125 00	"	5	" "	33	560 00
"	11	" "	34	230 00	"	9	" Expense,	33	25 50
"	15	" R. Thompson,	34	975 00	"	10	" H. Corby,	34	1000 00
"	15	" Bills Rec.,	34	175 00	"	12	" Bills Payable	34	650 00
"	17	" "	34	120 00	"	15	" "	34	200 00
					"	18	" Expense,	34	140 00
					"	20	" Balance,	51	2550 00
				5725 50					5725 50

FLOUR.

Jan.	1	To Capital,	33	3000 00	Jan.	6	By J. Miller,	33	1300 00
"	2	" Cash,	33	300 00	"	13	" J. Rimmer,	34	1400 00
"	3	" Bills Payable,	33	650 00	"	17	" "	34	1200 00
"	6	" H. Corby,	33	3000 00	"	20	" Bal. Inventory,	51	3915 00
"	12	" Bills Payable,	34	315 00					
"	20	" Loss and Gain,	51	550 00					
				7815 00					7815 00

WHEAT.

Jan.	1	To Capital,	33	1000 00	Jan.	2	By J. Rimmer,	33	150 00
"	2	" Bills Payable,	33	200 00	"	3	" R. Thompson,	33	600 00
"	3	" Cash,	33	300 00	"	4	" Bills Rec.,	33	175 00
"	5	" "	33	560 00	"	5	" "	33	120 00
"	10	" W. Lingham,	34	450 00	"	6	" Cash,	33	125 00
"	17	" "	34	550 00	"	8	" J. Rimmer,	33	280 00
"	20	" Loss and Gain,	51	265 00	"	9	" R. Thompson,	34	375 00
					"	11	" Sundries,	34	380 00
					"	20	" Bal. Inventory,	51	1120 00
				3325 00					3325 00

*Sundries, meaning several accounts, stands for three accounts, Cash, Flour and Wheat. There cannot be such a thing as an account called Sundries.

DR.

BILLS PAYABLE.

CR.

1908					1908				
Jan.	12	To Cash,	34	650 00	Jan.	2	By Wheat,	33	200 00
"	15	" "	34	200 00	"	3	" Flour,	33	650 00
"	20	" Balance,	51	1315 00	"	12	" "	34	315 00
					"	16	" H. Corby,	34	1000 00
				2165 00					2165 00

BILLS RECEIVABLE.

Jan.	4	To Wheat,	33	175 00	Jan.	15	By Cash,	34	175 00
"	5	" "	33	120 00	"	17	" "	34	120 00
"	8	" J. Miller,	33	1300 00	"	20	" Balance,	51	1450 00
"	11	" Wheat	34	150 00					
				1745 00					1745 00

JAMES RIMMER.

Jan.	2	To Wheat,	33	150 00	Jan.	4	By Cash,	33	100 00
"	8	" "	33	280 00	"	20	" Balance,	51	2930 00
"	13	" Flour	34	1400 00					
"	17	" "	34	1200 00					
				3030 00					3030 00

W. LINGHAM.

Jan.	20	To Balance,	51	1000 00	Jan.	10	By Wheat,	34	450 00
					"	17	" "	34	550 00
				1000 00					1000 00

ROBERT THOMPSON.

Jan.	3	To Wheat,	33	600 00	Jan.	15	By Cash,	34	975 00
"	9	" "	34	375 00					
				975 00					975 00

H. CORBY.

Jan.	10	To Cash,	34	1000 00	Jan.	6	By Flour,	33	3000 00
"	16	" Bills Payable	34	1000 00					
"	20	" Balance,	51	1000 00					
				3000 00					3000 00

DR.

JAMES MILLER.

CR.

1908					1908				
Jan.	6	To Flour,	33	1300 00	Jan.	8	By Bills Receivable	33	1300 00

EXPENSE.

Jan.	9	To Cash,	33	25 50	Jan.	20	By Loss and Gain,	51	165 50
"	18	" "	34	140 00					
				165 50					165 50

(Losses.)

LOSS AND GAIN.

(Gains.)

Jan.	20	To Expense,	51	165 50	Jan.	20	By Flour,	49	550 00
		Capital,	49	649 50			" Wheat,	49	265 00
				815 00					815 00

(Resources.)

*BALANCE.

(Liabilities.)

Jan.	20	To Flour,	49	3915 00	Jan.	20	By Bills Payable,	50	1315 00
"	"	" Wheat,	49	1120 00	"	"	" W. Wingham,	50	1000 00
"	"	" Cash,	49	2550 00	"	"	" H. Corby,	50	1000 00
"	"	" Bills Receivable	50	1450 00	"	"	" Capital,	49	8650 00
"	"	" Jas. Rimmer,	50	2930 00					
				11965 00					11965 00

If the above Ledger were intended to be continued in use there would be no "Balance account." Instead of bringing the balances of the accounts, showing resources and liabilities, over to a Balance account, they would be brought down, after footing and ruling, on the opposite side of the respective accounts. Take Flour (or Merchandise), Bills Payable and Bills Receivable, accounts, which follow, as examples.

FLOUR (OR MERCHANDISE.)

Jan.	1	To Capital,	33	3000 00	Jan.	6	By J. Miller,	33	1300 00
"	2	" Cash,	33	300 00	"	13	" J. Rimmer,	34	1400 00
"	3	" Bills Payable,	33	650 00	"	17	" "	34	1200 00
"	6	" H. Corby,	33	3000 00	"	20	" Bal. Inventory,		3915 00
"	12	" Bills Payable,	34	315 00					
"	20	" Loss and Gain,	51	550 00					
				7815 00					7815 00
Jan.	20	To Bal. Inventory.		3915 00					

* It will be observed that all the balances of those accounts that have been closed "By Balance" or "Balance Inventory" appear on the Dr. side of Balance account, while those that close "To Balance" appear on the Cr. side. You will also see that Capital makes up the deficiency between the two sides, it being the concern's net capital, and also agrees with the balance of Capital account, after the net loss or gain has been transferred to it. See foot-note, page 46.

Dr.

BILLS PAYABLE.

Cr.

1908					1908				
Jan.	12	To Cash,	34	650 00	Jan.	2	By Wheat,	33	200 00
"	15	" "	34	200 00	"	3	" Flour,	33	650 00
"	20	" Balance,		1315 00	"	12	" "	34	315 00
					"	16	" H. Corby,	34	1000 00
				2165 00					2165 00
					Jan.	20	By Balance,		1315 00

BILLS RECEIVABLE.

Jan.	4	To Wheat,	33	175 00	Jan.	15	By Cash,	34	175 00
"	5	" "	33	120 00	"	17	" "	34	120 00
"	8	" J. Miller,	33	1300 00	"	20	" Balance,		1450 00
"	11	" Wheat,	34	150 00					
				1745 00					1745 00
Jan.	20	To Balance		1450 00					

* DETECTION AND CORRECTION OF ERRORS.

The Trial Balance is the best short test of correctness in posting ; but this is defective, inasmuch as errors may exist while the Trial Balance is apparently entirely correct :—such as posting to the wrong account, although on the right side ; omitting to post a debit and a credit of equal amount, &c. But if the Trial Balance is not in equilibrium there is certainly an error, which must be sought and corrected.

DETECTION.

FIRST.—See whether the pencil footings on the Ledger, made preparatory to taking the Trial Balance, are correct, by adding both up and down, and whether the footings and balances of the different accounts have been transferred into the Trial Balance correctly.

SECOND.—If there is still an undiscovered error, examine each posting separately, checking the entries in both Journal and Ledger as you proceed, thus, ✓, on the *left* of the figures, until you have been over the whole ; and then look through again, to see if any amount remains unchecked, and, if so, investigate the cause of the omission.

In this manner you can scarcely fail to discover the mistake, provided the Journal is correct ; but great care should be taken to see that the Journal is in equilibrium before posting, as any discrepancy there will give you much trouble in the Ledger.

CORRECTION.

IN THE DAY-BOOK of a business (or any other book of original entry), erasures are not admissible, since this book is taken as evidence in Courts of Justice, and anything obliterated or erased looks suspicious, and would

¹See also, "Errors, Avoiding, Discovering and Correcting."

probably render invalid the entry with which it is connected, and in some cases might even throw the whole book out of Court, as evidence unfit to be received. Errors in it should, therefore, be corrected by making other entries explaining them ; or the erroneous entry, if it has not been journalized, may be marked "void," and remain without further alteration, a new and correct entry being made of the transaction.

IN THE JOURNAL erasures are sometimes admissible, although it is generally advisable to treat errors as directed for the Day-Book.

IN THE LEDGER, if any entry be posted to the wrong account, or to the wrong side of the account, make ciphers of the figures, and leave the remainder so as not to deface the Ledger ; then post the entry to its proper place. If a wrong amount be posted, alter it to the right amount. If a duplicate posting be made, make ciphers of the figures in the erroneous one. If two accounts be opened with the same person, close the one into the other. "To" or "By," name of account, page——, foot and rule off the closed account as a settled account, stating the particulars of each transfer to the open account. A further explanation of this subject will be found further on. See "Cross Entries."

QUESTIONS FOR REVIEW.—CHAPTER III.

Into what classes are accounts divided ? What is a Real account ? Name some Real accounts. What is a Representative account ? What is a Resource ? Define the term Liability. By what accounts are Liabilities represented on the Ledger ? What does the difference between the Resources and Liabilities of a business show ? How are Resources and Liabilities invariably shown in the Ledger ? When do Losses and Gains occur in business ? How may the net Worth or net Insolvency of a concern be found ? How may the net Gain or Loss during any period be found ? Define the term Balancing an account. How do Real accounts close ? How do Representative accounts close ? What two accounts are opened to receive the results of the other accounts ? Would a Balance account be used in a Ledger that is to be continued in use from year to year ? What would be done instead ? How would you proceed to detect an error in the work if the Trial Balance did not come right ? How should corrections be made in books of original entry ? If an entry be passed to the wrong account in the Ledger, how should the correction be made ? How should the correction be made when two accounts have been opened for the same person ?

CHAPTER IV. BUSINESS SERIES.

The foregoing exercises and explanations should be sufficient, if thoroughly understood, to acquaint you with the theory of Double Entry Bookkeeping. It now remains with you to fasten these principles indelibly on your mind by the regular process of Bookkeeping, which at the same time will serve to give you practice in business record, which is essential to

real progress. *The further, more comprehensive explanation of Double Entry Bookkeeping, and the contrast between Single and Double Entry should now be studied. Read and study carefully the ten pages following Set VII.*

The sets which follow, while serving as a synthetical unfolding of the science, are intended, each in its turn, to present some specialty of business, and some feature which distinctly characterizes its purpose. In presenting the transactions, care has been taken to avoid, as far as possible, any special *form* of entry; but at the same time to present the facts as clearly and unmistakably as possible.

They are intended to cover a wide field of practice, and to present sufficient variety of transactions and knowledge of theory to give the student an excellent understanding of the science. Each set is complete within itself, and special in its purpose and teaching. Its characteristics are briefly announced at the start, and as its results only, with more or less detail, are given at its close, the student is obliged to accomplish the work of the set for himself.

This arrangement is calculated to throw the learner upon his own resources, and prevent the too common practice of copying down the work without understanding it, and it will no doubt commend itself to all faithful students.

While performing the following work, remember that the three great qualities essential to success in accountancy are: ACCURACY, NEATNESS and DESPATCH.

SET II.

RETAIL DRY GOODS BUSINESS.

CHARACTERISTICS—*Buying and Selling for Cash and on Personal Account. Business Adverse.*

NOTE.—Instead of keeping a distinct account with each article of traffic, as in Set I., we classify all under the title of "Merchandise." This is the usual business method, and should always be adopted, except where it is essential to know the gains and losses on each particular kind of property or branch of business.

NOTE.—Remember when recording the Day Book entries to separate all transactions, whether they occur on the same date or not, with a line, and use a separate line for each item sold or bought.

Halifax, February 1, 1908—Invested in Business, Cash \$5,000.

2—Bought of W. L. Hamilton, on acct., merchandise as per invoice, *\$4,170.75.

"—Bought of Sanderson & Co., on acct., merchandise as per invoice, \$1,250.

3—Paid for repairing and cleaning store, \$187.50; for advertising business, \$15.50.
Total, \$203.

*There is no occasion to state the items you brought in the Day Book (as you *must* do for sales) as the invoice gives the items and is carefully filed for reference.

- 4—Sold A. H. Skinner, on acct., 5 yds. Black Broadcloth at \$4; 2 yds. Farmers' Satin at 50c.; 1 yd. Silicia, 30c.; 1 yd. Canvas, 20c.; 1 yd. Hair Cloth, 60c.; 3 Sheets Wadding at 5c.; 1 doz. Buttons, 25c; 4 skeins Silk, at 5c.; 1 Vest Pattern, \$4.25; 5 yds. Red Flannel, at 40c. Total \$28.95. *Cash sales this day*, \$115.40.
- 5—Sold B. M. Carman, on acct., 1 pair Kid Gloves, \$1.25; 12 yds. Merino at 60c.; 5 Linen Handkerchiefs at 25c.; 10 yds. Calico at 15c. Total \$11.20.
- “—Sold R. S. Thompson, on acct., 15 yds. Muslin de Laine at 30c.; 5 yds. Alpaca at 50c.; 10 yds Cambric at 10c.; 40 yds. Sheeting at 15c. Total \$14. *Cash Sales this day*, \$130.45.
- 6—Paid Sanderson & Co., on acct., cash \$850.
- “—Bought of W. L. Hamilton, on acct., merchandise as per invoice \$1,500.
- 6—Sold A. H. Skinner, on acct. (sold to wife), 10 yds. Linen Edging at 15c.; 15 yds. Muslin at 30c.; Trimmings, \$1.20; 3 yds. Fine Linen at 50c. Total \$8.70.
- “—Paid W. L. Hamilton, on acct., cash \$2,000. *Cash sales this day*, \$192.65.
- 8—Bought for cash, from Wallbridge & Clarke, merchandise as per invoice, \$450.
- “—Paid on acct. of rent, \$24.50.
- “—Sold to B. M. Carman, on acct. (sold to daughter), 18 yds. Black Silk at \$1.10; Trimmings, \$5.50; 1 pair Kid Gloves, \$1.25; 5 spools Thread at 5c.; 6 yds. Edging at 20c. Total, \$28. *Cash sales this day*, \$211.30.
- 9—Received from A. H. Skinner, cash on acct., \$25.00.
- “—Paid clerk's salary, \$10.50; for wood, \$18.50. Total, \$29.00.
- “—Sold B. M. Carman, on acct., 15 yds. Shirting at 20c.; 4 yds. Black Cassimere at \$1.75; 4 yds. Green Baize at 50c. Total \$12. *Cash sales this day*, \$225.30.
- 10—Received from B. M. Carman, cash on acct., \$15.
- “—Paid W. L. Hamilton, on acct., \$350.
- “—Paid for Taxes, \$15.40.
- “—Bought of W. L. Hamilton, on acct., merchandise as per invoice, \$475.50.
- “—Paid Sanderson & Co., in full of acct., cash, \$400.

☛ WHEN YOU HAVE POSTED THE LEDGER OF EACH SET, IMMEDIATELY TAKE OFF A TRIAL BALANCE, THEN A STATEMENT OF LOSSES AND GAINS, AND NEXT A STATEMENT OF RESOURCES AND LIABILITIES, AS YOU DID IN SET I. AFTER THE STATEMENTS ARE MADE OUT, CLOSE THE LEDGER AS INSTRUCTED AT PAGES 46 TO 51.

Inventory of Goods remaining unsold: Merchandise, \$6,950.

RESULTS (not to be entered in Day-Book):

Net Capital at commencing, \$5,000; Net loss, \$190.20; Net worth at closing, \$4,809.80.

SET III.

DRY GOODS AND GROCERY JOBBING BUSINESS.

CHARACTERISTICS—*Buying and selling for cash, on personal account and on notes,
Business prosperous.*

Belleville, March 1, 1908—Invested in business—Cash \$6,500; Merchandise \$3,000.

- 2—Bought of Geo. Wallbridge, on my note at 12 days, Merchandise as per invoice, \$1,400.
- 3—Bought of Muir & Co., Montreal, on three months' credit, Merchandise as per invoice, \$1,040.
- 4—Sold Geo. J. Sherry, on acct., 100 boxes Cheese, 7350 lbs. at 10c. \$735.
- 5—Sold S. G. Beatty, on acct., 1 case Blue Serge, 650 yds., at 50c., \$325; 12 pieces of Tweed, 420 yds., at \$1.25, \$525. Total \$850.
- 6—Bought of Walker & Son, Toronto, for cash, merchandise as per invoice, \$846.
- 8—Sold C. P. Holton, for cash, 20 bbls. Granulated Sugar, 4000 lbs., at 5c., \$200; 20 bbls. Northern Spy Apples at \$3, \$60; 1 box Sugar Cured Ham, 180 lbs., at 15c., \$27; 4 half chests Mixed Tea, 100 lbs., at 28c., \$28. Total \$315.
- 9—Sold H. Warren, on acct., 6 pieces Tweed, 210 yds., at \$1.25, \$262.50.
- 10—Bought of S. G. Beatty, on acct., Merchandise as per invoice, \$370.
- 11—Sold W. B. Robinson, for cash, 50 bbls. Manitoba Flour at \$5, \$250; 10 bbls. Dairy Salt at \$3, \$30. Total \$280.
- 12—Paid cash for 1 Quarter's rent of store, \$200, and for Gas bill \$15. Total \$215.
- 13—Received from S. G. Beatty, his note at 3 days for \$480 in full of acct.
- 15—Paid cash for my note in favor of Geo. Wallbridge, due to-day, \$1,400.
- 16—Sold R. P. Dunning, on his note at 3 months 10 half-chests "Y. H." Tea, 400 lbs., at 62½c, \$250.
- 17—Gave Muir & Co. my note at three months, in part settlement of account, \$500.
- 18—Bought of Walker & Son, Toronto, on my note at 10 days, Merchandise as per invoice, \$430.
- 19—Paid cash for Clerk's salary, \$175.
- 19—Received from S. G. Beatty, cash in full for his note due to-day, \$480.
- 22—Paid for sundry items of expense, Coal, \$100.00; Advertising, \$38.00; Taxes, \$42.00; Total \$180.
- 23—Sold G. J. Sherry, on acct., 4 pieces Tweed, 160 yds., at \$1.50, \$240; 1 case Muslin, 1,200 yds., at 25c., \$300. Total, \$540.
- 24—Sold Thos. Moore, on acct., 40 cases Valencia Oranges at \$4.20 a case, \$168; 50 boxes, each 28 lbs., Valencia Raisins at 8c. a lb., \$112. Total \$280.
- 25—Received from G. J. Sherry, cash on acct., \$100, and his note at one month for \$125.
- 25—Withdrew from the business cash, \$1,000.
- 27—Received from Thos. Moore, cash on account, \$150.
- 29—Paid cash for wood, \$24, cleaning store, \$4.50.
- "—Received from Thos. Moore, cash in full of account, \$130.
- "—Paid cash for Clerk's salary, \$75.

31—Redeemed my note in favor of Walker & Sons, due to-day, \$430, for which I gave cash \$305, and the note I held against G. J. Sherry, \$125, for balance.

Inventory of goods remaining unsold, Merchandise, \$5,500.

Net Capital at commencing, \$9,500; Withdrew, \$1,000; Net Gain, \$1,253; Net worth at closing, \$9,753.

COMPUTING THE TIME ON NOTES AND BILLS.

A new feature introduced with the work of the next set is the computing of interest on notes and bills. As beginners often experience difficulty in determining the day upon which notes and acceptances fall due, we shall endeavor, in the following directions, to make the matter plain.

DAYS OF GRACE.

Keep constantly in mind that in Canada there are three days of grace upon all promissory notes, drafts and bills of exchange, not payable on demand. This is a Dominion law, and prevails in every province. In the United States each state legislates for itself in this matter. Some states have days of grace, while some have abolished the custom.

In all computations in reference to notes and bills (not payable on demand), in the following sets, three days of grace are included. When the term of a note or bill is expressed in days, the day after the instrument begins to mature is the first day counted in the time to run. Thus, a note made or bill accepted on January 1st, at 15 days, will fall due on January 19th, including three days' grace. A note made or bill accepted on September 29th, at 60 days, has to run

In September.....	1 day,
In October.....	31 days,
In November.....	30 days,
In December.....	1 day.

—
63 days, due Dec. 1.

Again, a note made or bill accepted September 30th, at 90 days, has to run

In October.....	31 days,
In November.....	30 days,
In December.....	31 days,
In January.....	1 day.

—
93 days, due Jan. 1.

It will be observed in the last example, that no time is allowed for September, although the note dated is on the last day of that month, as, according to the rule, the day following the date is the first day counted in the time to run.

When the term of a note or bill is expressed in months, CALENDAR MONTHS are always understood, and it comes due in the last month¹ of its term, upon the day corresponding with its date, to which are added the days of grace.

The time of payment is not extended, in business, on account of any deficiency in the length of the months, of which the term of the note or bill is made up. For instance, a note made on the 31st of August, at three months, and another made on the 30th of August, also at three months, will both fall due on the same day, viz.: December 3rd.

Bills of different dates running the same time will sometimes fall due the same day, and thus occasion unexpected inconvenience. Sometimes by obtaining one day's advance in the date, two, three and four days are gained in the time of payment. For example, a note or bill made or accepted on the 28th of February, at six months, is due August 31st, but if dated on the 1st of March, only one day later, it would not be due until the 4th of September, thus extending the term of payment four days for one day's difference in the date.

When a note or bill falls due on a Sunday, or on a legal holiday, it is payable the following day.

SET IV.

FURNITURE BUSINESS.

CHARACTERISTICS—*Buying for Cash, on Personal account and on Notes.—Interest taken into consideration.—Commencing with a Net Capital, sustaining a loss greater than Capital, and closing Insolvent.*

BOOKS USED—DAY-BOOK, JOURNAL, LEDGER AND BILL-BOOK.

OTTAWA, MARCH 1, 1908.

See Explanations and Form of Bill-Book pages 60 and 61.

Leased a Store of T. B. Dean at \$600 per annum, and commenced the Furniture business, investing as follows:

Cash, \$6,800. Stock of Furniture on hand, \$1,500. Note against A. Overell for \$750, dated Jan. 17th, 1908, at 2 months. Total investment, \$9,050.

Bought the building next the Store for \$5,000.00, cash.†

Have rented the above building to R. J. Templeton, at \$60 a month.

Bought of G. S. Tickell, Belleville, on one month's credit, 15 Carved Rosewood Centre Tables, at \$50; 6 doz. do. Arm Chairs, at \$60. Total, \$1,110.

2—Sold W. R. Barber, on his note at 15 days, 10 Carved Rosewood Chairs, at \$8; 1 do. Centre Table, \$75; 1 Gothic Hall Stand, \$25. Total, \$180.

3—Bought of Jakes & Hayes, Toronto, on acct., 10 sets Enamelled Furniture, at \$75; 6 do. Black Walnut, at \$150; 10 Extension Dining Tables, at \$25. Total, \$1,900.

†Real Estate, Dr. to Cash is the Journal entry for this.

- 4—Sold W. H. Sherman, for Cash, 1 set Enamelled Furniture, \$100; 1 Extension Dining Table, \$40; 8 Carved Chairs, at \$8. Total, \$204.
- 5—*Sold W. W. Jones, on his note at one month, with interest at 6 per cent., 1 Set Enamelled Furniture, \$100; one Extension Table, \$40; 1 Dressing Bureau, \$35; 1 Rosewood Tete-a-Tete, \$50; 1 Gothic Hall Stand, \$28; 1 Card Table, \$5; 1 French Bedstead, \$22; 1 Cottage Bedstead, \$15. Total, \$295.
- 6—Settled with Jakes & Hayes, by giving them my note at 1 month, with interest at 7 per cent., in full of acct., \$1,900.*
- 9—Bought of J. B. Ashley, on my note at 10 days, 15 Black Walnut Book Cases, at \$60; 2 doz. do. Arm Chairs, at \$60; 20 Curled Hair Mattresses, at \$20; 20 Double Leaf Secretaries, at \$35; 25 Music Racks, at \$5. Total, \$2,245.
- 10—Sold G. W. Maybee, on acct., 1 Carved Rosewood Centre Table, \$60; 2 doz. Arm Chairs, at \$50; 1 set Enamelled Furniture, \$80; 1 Black Walnut Sofa Bedstead, \$50; 2 Extension Tables, at \$30; 2 Gothic Chairs, B. W., stuffed, at \$15; 1 Easy Rocker, \$12. Total, \$392.
- 11—Bought of Jakes & Hayes, on 3 months' credit, an assortment of Furniture amounting, per invoice, to \$3,500.
- Paid Cash for Insurance, \$125.
- 15—Sold S. G. Beatty, for Cash, 2 Black Walnut Bureaus, at \$30; 1 Rosewood Parlor Set, \$400; 1 Enamelled Bedroom Suite, \$200; 1 Single Bedstead, \$8; 1 Quartette Table, \$9; 1 Lady's Arm Chair, \$12; 1 Black Walnut Library Book Case, \$75. Total, \$764.
- 15—Received one month's rent in advance from R. J. Templeton, for the building rented from me, \$60.‡
- 16—Sold W. McKeown, for cash, 1 Carved Rosewood Secretary, \$120; 3 Patent Spring Beds, at \$60; 1 Walnut Centre Table, \$50; 2 Rosewood Bureaus, at \$40; 2 Arm Chairs, at \$10; 2 "Sleepy Hollow" Chairs, at \$25; 1 Black Walnut Parlor Suite, \$300; 1 Side What-not, \$9. Total, \$809.
- 17—Paid cash for one month's rent, \$50; Advertising, \$25.
- Bought of Jakes & Hayes, on acct., furniture amounting, per invoice, to \$2,150.
- 17—Bought of H. W. Huffman, on my note at three months, Furniture as per invoice amounting to \$550.
- 18—Received from G. W. Maybee, cash on acct., \$150.
- Sold W. Johnson, on his note at three months, 1 Hall Stand, \$5; 6 Parlor Chairs, at \$3.50; 1 R. W. Tete-a-Tete, \$30; 1 Black Walnut Sofa, \$30; 1 Large Dining Table, \$14; 1 Piano Stool, \$8; 1 Music Rack, \$5. Total, \$113.
- 19—Sold Warner Bros., for cash, two Bedrooms Suites, at \$50.60; 2 Rosewood Parlor Suites, at \$200. Total, \$501.20.
- 20—Received from G. W. Maybee, cash in full of acct., \$242.
- Received from A. Overell, cash in full for his note of Jan. 17, \$750.

*This note is to bear interest, but you make the Journal entry as though it were not. At the maturity of the note you will deal with interest.

The Dr. side of interest acct. shows what interest costs you, and the Cr. side what interest produces for you. It closes either To or By Loss and Gain.

‡The entry is Cash to Real Estate Income.

22—J. B. Ashley renewed for one month my note due this day for \$2,245; Interest @ 7% on renewal, \$14.64.

NOTE.—The student must work out all interest. See instructions at foot of this page.

24—Sold H. Corby, on acct., 20 doz. Kitchen Chairs, at \$8; 10 doz. Rush Bottom Chairs, at \$18. Total, \$340.

28—Bought of Smith & Co., Kingston, on note at three months, assortment of Furniture, amounting, as per invoice, to \$1,500.

April 1st—Paid G. S. Tickell, cash on acct., \$500.

8—Received from W. W. Jones, cash in full for his note of the 5th ult., and interest thereon to date at 6%, face of note, \$295, interest \$1.65.

12—Paid salaries \$180; paid for coal \$25.

16—Paid my note 6th ult., favor of Jakes & Hayes, with interest to date; face of note, \$1,900, interest \$14.94.

Inventory of Merchandise unsold, \$336.34; Real Estate, \$5,000.00.

Net Capital at Commencement, \$9,050; Net Loss, \$10,893.39; Net Insolvency at Closing, \$1,843.39.

REMARKS ON THE BILL BOOK.

The Bill-Book should never be omitted in any business where notes and acceptances are given or received. It is so simple that the student will see, by inspection, its utility. All necessary explanations are made by the headings of the different columns. See next page.

The precaution of closing the Bill-Book and showing the amount of bills unpaid is necessary in a business where any considerable number of bills are given or received, in order to maintain harmony between this book and the Bills Payable and Bills Receivable accounts in the Ledger.

It will be seen that the Bills entered in the following forms are taken from the transactions of Set IV., and hence the Bills Receivable on hand and the Bills Payable outstanding, as shown by bills footed up, will be found to agree with the balance shown in the respective Ledger accounts.

In business calculations it is not customary to enter fractions of a cent on the account books; consequently, in all computations throughout these sets, where a fraction of a cent is less than one-half, we take no notice of it, but where a fraction of a cent is one half or greater than one half, it is taken as one cent.

Under the head of "Entries for Renewals of Notes" (refer to Index), you will learn how to make this entry in the Journal.

In working interest, first find the time, taking care to get the actual number of days (including, in the case of notes and drafts, the three days of grace). The renewal note given on the 22nd of March will mature on April 25th, or in 34 days. Having found the time, next find the interest for one year (of 365 days) on \$2,245, at 7 per cent., which is \$157.15 (or $2245 \times \frac{7}{100}$). The interest for 34 days must be $\frac{34}{365}$ of \$157.15, therefore $\$157.15 \times \frac{34}{365}$ and the result \div by 365 will give the interest to be added to the new note, namely, \$14.64.

The formula in brief is $\frac{2245 \times 7}{100} \times \frac{34}{365} = \14.64 .

FORM OF BILL BOOK. BILLS RECEIVABLE.

No.	When Received.	Maker (if a note) or Acceptor (if a draft).	In Whose Favor.	For What Received.	Where Payable.	DATE.		Time to Run.	WHEN DUE.												Interest Rate.	Amount.	When and How Disposed of.
						Year.	Month.		Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.			
1	March	1 A. Overell	My own.	Instm't	My Office.	1908	Jan.	17 2 mo.			20											750	Mar 20 Received in cash.
2	"	2 W. R. Barber	"	Mdse.	"	1908	Mar	2 15 d's.			20											180	
3	"	5 W. W. Jones	"	"	B'k Mont.	1908	Mar	5 1 mo.				8									6 %	295	Apr 8 Received in cash.
4	"	18 W. Johnson	"	"	"	1908	Mar	18 3 mo.						21								113	*293 Notes on hand.

When notes are paid or disposed of, rule a red line (using your ruler) through the figures.

*Amount of Notes on hand, agreeing with Debit Balance of Bills Receivable account in Ledger.

BILLS PAYABLE.

No.	When Issued.	Maker (if a note) Acceptor (if a draft).	In Whose Favor.	For What Given.	Where Payable.	DATE.		Time to Run.	WHEN DUE.												Interest Rate.	Amount.	When and How Retired.
						Year.	Month.		Jan.	Feb.	Mar.	April	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.			
1	March	6 Myself.	Jakes & Hayes	Mdse.	My Office.	1908	Mar	6 1 mo.				9									7 %	1900	Apr 16 Paid in cash.
2	"	9 "	J. B. Ashley	"	"	1908	Mar	9 10 d's.			22			20								2245	Mar 22 Renewed by B. P. No. 4.
3	"	17 "	H. W. Huffman	"	B'k Mont.	1908	Mar	17 3 mo.				25										550	
4	"	22 "	J. B. Ashley	Renewal of No. 2	"	1908	Mar	22 1 mo.														2239 64	
5	"	28 "	Smith & Co.	Mdse.	"	1908	Mar	28 3 mo.							1							1500	4309 64 *Unpaid notes.

NOTE.—In many large houses the Bill-Book is kept as the only book of original entry for Bills Receivable and Payable, and from it they are posted directly to the Ledger without journalizing. When this is done, a folio column, to show the Ledger Folios of the accounts debited and credited, is necessary, and the columns, "For What Received" and "For What Given" should be wide enough to admit of explanations when necessary.

Always make your notes and acceptances payable either at your own office, or at the bank at which you keep your account

When notes are paid, or disposed of, rule a red line across the figures to show that they are cancelled.

*Amount of our notes unpaid, agreeing with Credit Balance of Bills Payable account in Ledger.

BUSINESS FORMS.

A thorough acquaintance with the forms of business papers and the laws applicable to them is indispensable to every one who would master the science of accounts. Not only should their nature and use be fully understood, but the ability to make them out readily and correctly should be acquired. For this reason we ask the student to make out bills and invoices of merchandise bought and sold, write proper receipts for moneys paid or received, draw up forms to represent bills receivable and bills payable, forms of the drafts and orders referred to in the transactions of the different sets, and copy them until he can write them out without referring to the book.

BILLS AND INVOICES.

A **BILL OF GOODS** is a description of the quantity and price of goods sold, with the date of the transaction and the names of the purchaser and seller.

An **INVOICE** is a full account of merchandise sold, in which the marks, numbers, contents, and value of each package, together with all charges, are described.

INVOICES, after the buyer has checked them and marked the cost price upon the goods purchased, are usually pasted into a book or neatly folded and marked on the back with the name of the person from whom the goods were bought, the date and the amount, and then put up in monthly packages for safe keeping and easy reference. Filing Cabinets are now extensively used for filing all classes of business papers as well as letters. The system is described further on.

INTEREST ON OPEN ACCOUNTS.

Interest runs on an open account only after written demand, unless it is printed on the bill.

BILL NOT RECEIPTED.

Toronto, Nov. 1st, 1908.

MR. JOHN. S. EWING,
Toronto.

BOUGHT OF THE RITCHIE COMPANY, LIMITED.

Terms Cash.

4 yds. Black Broadcloth.....at	\$ 4.25	\$ 17 00
10 " Factory Cotton..... "	.10	1 00
15 " Muslin..... "	.25	3 75
20 " Red Flannel..... "	.40	8 00
4 doz. Linen Hdkfs..... "	2.00	8 00
5 only Scarfs..... "	1.00	5 00
		<hr/> \$ 42 75

NOTE.—When settlement of an account is made by Contra account, write upon the bill rendered "settled by Contra account," and sign your name.

When the word "only" is used, it means single, as 5 only scarfs, means 5 single ones.

BILL RECEIPTED.

MR. W. A. ROBLIN,
Edmonton.

Edmonton, Alta., Nov. 1st, 1908.
TO CONGER BROS., Dr.

		To 10 yds. Cambric	\$.15	\$1 50
		" 20 " Gingham .....	.30	6 00
		" 5 " Broadcloth	4.00	20 00
		" 2 doz. Spools Thread .....	.50	1 00
		<i>Received Payment.</i>		\$28 50
		CONGER BROS.		

Should the above bill be receipted by a clerk, his own name should be signed under that of the firm, with the word "per" placed before it.

ITEMS OF AN ACCOUNT.

Halifax, N. S., Jan. 2nd, 1908.

MR. J. A. MOORE,
Halifax.

TO ROBINSON & HENRY, Dr.

1908				
Feb.	1	To 4 yds. Broadcloth	\$5 00	\$20 00
"	9	" 3 " Can. Tweed	1 50	4 50
March	4	1 Fancy Vest		5 50
				\$30 00
April	1	By Cash	\$20.00	
May	6	" Order on Beatty & Wallbridge	5.00	
				25 00
		Balance due,		\$5 00

MONTHLY STATEMENT OF ACCOUNT.

Montreal, Dec. 2nd, 1908.

MESSRS. SMITH & JONES, Winnipeg,

TO SINCLAIR, JACK & CO., Dr.

1908				
Nov.	1	To Mdse. as per Invoice at 3 months	\$100 20	
"	8	" " " at 4 " ...	500 00	
"	28	" " " at 30 days ...	400 00	
		CR.	\$1000 20	
"	9	By Goods returned	57 00	
			\$943 20	

*Gentlemen,—We shall draw upon you on Wednesday next at 90 days for amount of account. Please honor draft on presentation and oblige,

Yours truly,

SINCLAIR, JACK & CO.

INVOICE IN WHICH BOTH TRADE AND CASH DISCOUNTS ARE ALLOWED.

Belleville, Ont., Jan. 5th, 1908.

W. J. GAGE CO., LIMITED, TORONTO.

BOUGHT OF J. W. JOHNSON.

(Terms—3 mos. or 3 p. c. dis. for Cash).

50 copies "Canadian Accountant"	30%	\$2 00	\$70 00	
20 copies "Johnson's Joint Stock Bookkeeping"	25%	1 75	26 25	\$96 25
Cash discount, 3 per cent.				2 89
				\$93 36

*The time will have to be equated on this account; to know the time to allow on the Draft See "Equation of Payments."

INVOICES.

*Sales-Book, 24
Folio, 325

(DOMESTIC INVOICE).

Victoria, B. C., Oct. 28th, 1908.

MESSRS. BEATTY & WALLBRIDGE,

Greenwood, B. C.

Forwarded—C.P.R.

BOUGHT OF SINCLAIR, JACK & CO.,

(Terms—*Note at 3 mos.*
or 3 p.c. dis. for Cash.)

Importers and Wholesale Grocers.

51	5	Hlf.-chests Tea (Y.H.), "S. J. & Co., 14,"	299	72	\$215 28
55		73, 14, 73, 14, 74, 14, 369. 75, 15, 69, 13, 70.			
86	4	" Gunpowder, "Chinaman," 53,	271	80	216 80
89		83, 15, 82, 15, 331. 85, 15, 81, 15, 60.			
110	4	Bags Coffee, Java, "A.B.,"	478	24	114 72
113		128, 4, 105, 4, 494. 131, 4, 130, 4, 16.			
214	2	" " Laguayra, "C.T.,"	220	18	39 60
215		228. 113, 4, 115, 4, 8.			
	5	Boxes (10c) Laundry Soap, 60 ea.,	300	07	21 00
	4	Doz. B.L. Brushes 2 2			11 00
		2.50 3.00			
		Cartage,			25
		E. J.			\$618 65

(FOREIGN INVOICE).

Glasgow, Aug. 5, 1908.

Invoice of *one* Package, marked and numbered as per margin, shipped per *Empress of Britain*, S.S. from *Glasgow* for and on account of

MESSRS. THE RITCHIE CO.,

Belleville, Canada.

BOUGHT OF ARTHUR & CO.,

London Warehouse—Old Change,
Bradford Warehouse—Grange St.

R. Co.,
B. No. 238.

				d.	£	s.	d.	£	s.	d.
981	4	Pcs. Check Wincey,		238	6	5	14 0			
		56½, 57½, 57, 67.								
702	4	" " 56½, 57, 58, 59.		230½	7½	7	8 10½			
63	1	Shepherd,		50½	8	1	13 8			
564	2	" 51½, 54.		105½	9½	4	3 6			
730	6	All-Wool Tartan,								
		39, 3, 2.								
8935	6	Clan Serge, 39½, 40.		237½	13½	13	7 2			
		31, 2, 2, 51,								
		40, 42.		246	16¾	17	3 4½			
	1	Super Serge,		42½	16¾	2	19 0			
		Box,					0 15 6			
								53	5	1

NOTE.—The figures on the left are the invoice numbers by which any particular line of goods would be identified. The figures underneath the items are gross weights and tares, or measurements.

*Sales-Book, No. 24, folio 325.

INVOICE OF SHIPMENT ON SOLE ACCOUNT.

Invoice of Merchandise shipped per steamer "Neptune," November 1st, 1908, and consigned to E. T. Hambly, Port Hope, to be sold on commission.

500 bbls. Extra Superfine Flour.....	\$6.	\$3000	
100 " Bakers' Spring	5.50	550	
200 " Goderich Salt.....	1.50	300	
Paid Insurance		40	
E. & O. E. Hamilton, Ont., Nov. 1st, 1908.			\$3890
S. S. EDSALL, Consignor.			

NOTE.—The student will use the above form of invoice for a single shipment, and the following for a joint shipment. Goods consigned for sale on commission must not be invoiced as though they were sold. Besides the difference in form, you should know that if the man to whom you have consigned goods should fail, and you have taken the precaution to put upon the invoice "Consigned to" instead of "Bought of," you can step in and claim your goods. If invoiced in the ordinary way, although it was understood that the goods were only consigned, you would have to take rank with the creditors.

INVOICE OF SHIPMENT ON JOINT ACCOUNT.

Invoice of Merchandise shipped per steamer "Passport" and consigned to John Cook, Belleville, to be sold on joint account of Shipper and Consignee.

500 bbls. Goderich Salt.....	\$1.50	\$750	
400 " Extra Family Flour.....	7.50	3000	
Charges.....			\$3750
Insurance on \$3750, 1½ per cent.....		56 25	
Drayage \$25, Labor \$10, Cooperage \$4, Wharfage \$13		52	108 25
E. & O. E. Hamilton, June 1st, 1908.			\$3858 25
W. B. ROBINSON, Consignor.			

CREDIT NOTE (OR CREDIT INVOICE.)

A Credit Note is an acknowledgment of an error in an invoice, or of goods returned, and is in form similar to an invoice. Instead of the words "Bought of" the words "Credited by" are used, and it is usually printed in red ink, that it may readily be distinguished from an invoice.

FORM.

C. W. THOMPSON, Esq.,
Belleville.

Montreal, Jan. 29th, 1908.

CREDITED BY SINCLAIR, JACK & CO.

½ Chest, 56 lbs., Y. H. Tea.....	42c	\$23 52
Short Invoice of 5th January.		

BILL FOR SERVICES.

Belleville, Oct. 26th, 1908.

THE BELLEVILLE ROLLING MILLS CO., LIMITED.

To J. W. JOHNSON, F. C. A.

DR.

For services as Auditor.....	\$200
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AN EXAMPLE OF AN ENGLISH ACCOUNT SALES RENDERED TO A CANADIAN CONSIGNOR.

*Account Sales of 50 BOXES CHEESE, *ex s.s. "Oregon," at Montreal, June 6th, 1908, sold for account of Glencoe Factory, Belleville, Ont.*

Champion W 10	50	Boxes w.f.	c 29	3	21	Net 44/6		£66 12 3
						Discount		12 7
								£65 19 8
						CHARGES.		
		1/19/3				4/7		
		Freight, Primage, Quay Portorage, Dues and						
		Customs Entry, etc.,						
		4/2	8/4		1/8		3 2 2	
		Cartage, Portorage, Warehouse, Rent, & Fire						
		Insurance						
		Advanced in Canada					51 2 5	
		Commission and guarantee on £66 12 3, at 4%					2 13 3	
		Brokerage paid here					6 9	57 4 7
		Net proceeds to credit of Glencoe Factory.						8 15 1
E. & O. E.						HUGHES BROS.,		
		Liverpool, England, July 3, 1908.				Consignees.		

Method of Converting Sterling Money to Dollars and Cents.

Suppose that the £8-15-1 is converted into Canadian Currency at 8 per cent. (that is 8 per cent. over the old par of exchange—4.44 4/9), it would equal \$42.02. At the end of the book you will find the method of converting sterling into currency, and currency into sterling. The formula for above is: £8-15-1 = £8 $\frac{181}{40}$ = £8.754. £8.754 \times $\frac{40}{9}$ (old par) = \$38.91 old par. \$38.91 + 8% = 38.91 + 3.11 = \$42.02.

Alternative Formula.

£8-15-1 = £8 $\frac{181}{40}$ = $\frac{2101}{40} \times \frac{40}{9}$ (old par) = \$ $\frac{2101}{9} \times \frac{40}{9} \times \frac{108}{100}$ (Canadian Currency at 8%) = (by cancellation) \$ $\frac{2101}{9} = $42.02.$

†RECEIPTS.

A receipt is an acknowledgment in writing of having received a certain sum of money, or other valuable consideration. The law does not give the right to demand a receipt as a condition precedent to payment, nor the right to compel the giving of a receipt after payment. But, notwithstanding, when a payment has been made, a receipt should be taken as proof of the payment. A receipt is not, however, conclusive, for it is subject to explanation; and if it was obtained in advance of a payment which never followed, or by fraud, it goes for nothing as a discharge of the debtor. Personal representatives of estates of deceased persons should always protect themselves by obtaining receipts. Receipts should be carefully preserved, as many instances occur in which claims are presented after they are paid. For the proper mode of tendering payment of a debt, see summary of Commercial Law further on.

When not written in a book specially prepared for the purpose, receipts should be kept in a place of security, so that they may be readily produced, if needed. See "Filing Business Papers."

*Ex means out of, as in Account Sales above, ex s.s. "Oregon."

†See also, Vouchers.

RECEIPT FOR PAYMENT ON ACCOUNT.

Toronto, January 1st, 1908.

Received from G. A. McClatchie, Fifty dollars, on account,
\$50. E. SCARLETT.

RECEIPT IN FULL OF ACCOUNT.

Belleville, Ont., Jan. 1st, 1908.

Received from W. R. Ross, seventy-five dollars, in full of account to date.
\$75 I. L. MOORE.

RECEIPT IN FULL OF ALL DEMANDS.

Napanee, Ont., Jan. 1st, 1908.

Received from Henry Bros., one hundred and fifty dollars, in full of all demands.
\$150 F. H. HENRY.

RECEIPT FOR A PARTICULAR BILL.

Kingston, Ont., Dec. 1st, 1908.

Received from Beatty & Wallbridge, five hundred dollars, in payment for a bill of groceries of this date.
\$500 T. E. HAWKINS.

RECEIPT FOR SERVICES.

Hamilton, Ont., Dec. 1st, 1908.

Received from Geo. Wallbridge, forty-seven dollars, in full for services to date.
\$47 C. R. McCULLOUGH.

RECEIPT FOR A NOTE.

London, Ont., Dec. 1st, 1908.

Received from J. B. Ashley, his note of this date, at four months, for five hundred dollars, in full of account rendered to 1st inst.
\$500 THE RITCHIE CO., Limited.
per pro. W. H. GORDON.

RECEIPT FOR RENT.

Montreal, Que., Dec. 1st, 1908.

Received from C. P. West & Co., one hundred and twenty dollars, in full for one quarter's rent of Store, No. 95 McGill Street; due November 15th, 1908.
\$120 E. HARRISON.

RECEIPT FOR INTEREST DUE ON MORTGAGE.

Toronto, Ont., Dec. 5th, 1908.

Received from Robert Smith, twenty-nine dollars and fifty cents, in full for six months' interest due this day on his mortgage to me, bearing date Dec. 6th, 1904, for five hundred and ninety dollars, and which amount is also endorsed on the mortgage.
\$29.50 S. G. BEATTY.

RECEIPT FOR PAYMENT BY THE HAND OF A THIRD PARTY.

Halifax, N. S., Jan. 1st, 1908.

Received from John Jones, by the hand, of R. Rowe, fifty dollars, in full of his account.
\$50 W. R. DEAN.

AGENT'S RECEIPT.

Brantford, Ont., Sept. 1st, 1908.

Received from M. L. Perkins, two hundred dollars, to apply on his account with C. P. Stanwood.
\$200 A. L. HOWARD, Agent for C. P. STANWOOD.

NOTE—Payments made by cheque payable to the order of the individual do not require receipts, as the payee must endorse the cheque before obtaining the money or transferring it to some one else. Refer to Index, under the head of, Cheques on a Bank.

NEGOTIABLE PAPER.

Negotiable Paper is that which can be transferred from one person to another, the holder for the time being possessing all the rights of the party to whom the instrument was originally given by the maker. It embraces Drafts (or Bills of Exchange), Cheques, Promissory Notes, Debentures (or Bonds), Bills of Lading and Warehouse Receipts.

There are two ways of drawing paper intended to be negotiable, namely, TO BEARER, or TO ORDER. An instrument payable to bearer is transferred by delivery, just like a bank bill; an instrument payable to order is transferred by the indorsement of the payee, completed by delivery.

The indorser of an instrument is liable for the payment if the maker (in case of a note) or acceptor (in case of a draft) fails to pay it at maturity, provided that he is duly and legally notified of dishonor, as explained further on; so also is the indorser on a cheque liable if it is dishonored at the bank on which it is drawn.

PROCURATION.

To sign or indorse by procuration means to sign or indorse as an agent for another, the power to do this being conferred by Power of Attorney under seal. See further on. John Trust is managing accountant for Jones & Brown, and has Power of Attorney to sign and indorse notes, drafts, cheques, etc., for the firm. He signs thus:

JONES & BROWN,
per pro. JOHN TRUST.
(or pp)

DRAFTS

(or Inland Bills of Exchange).

DEFINITION

A draft is an unconditional written order, addressed by A., a creditor, to B., his debtor, directing him to pay a certain sum of money on demand, or at a fixed or determinable future time, to, or to the order of, a specified person, (say C. to whom A. is indebted), or to bearer.

A. is said to draw on B., in favor of C. A. is called the Drawer, B. the Drawee, and C. the Payee. See drafts at page 71. A. may direct the money to be paid to himself, in which case he is Payee as well as Drawer. See second draft at page 71.

Drafts are usually made payable to order and are thereby negotiable by indorsement.

To make the Draft an obligation to pay on the part of B., the Drawee, he must *accept* it, which is commonly done by writing the word "accepted" and his name across the face of it, about the middle. See page 71. If no place of payment is named in the body of the draft, the Drawee has the right, when accepting the draft, to name a place, which is usually the bank at which he keeps his account. The Drawee is now known as the acceptor. He has signified his willingness to comply with and be bound by the order of the Drawer. The Drawee must accept the draft within two days after it is presented to him; if he does not, it must be treated as dishonored.

A Draft is of no value until the Drawee accepts it, except as evidence of a debt by the Drawer to the Payee. Bank Drafts are an exception, as they are payable on demand, and are issued on the credit of the bank.

Drafts may be made payable at a certain time after date, a certain time after sight, (these two are called time Drafts) *at sight*, or on demand. The only difference between a Draft drawn on demand and one drawn at sight is, that on the latter the law gives the drawee three days of grace for payment if he chooses to exercise his right, while on the former there are no days of grace. It is usual to draw on a debtor at sight, rather than on demand, but treat the draft as realizing cash. It is also usual for the drawee to pay a sight Draft when it is presented and make the drawer debtor to cash. Of course, if he takes the days of grace he will then accept the Draft and make the drawer debtor to Bills Payable, and in three days when he pays it, make Bills Payable Dr. to Cash. It is usual and advisable TO PRESENT FOR ACCEPTANCE all Drafts received, except those payable on demand. With regard to those payable at a certain time after sight, and even those payable *at sight*, presentment for acceptance is ABSOLUTELY NECESSARY in order to fix the date for payment; for which purpose the DATE OF ACCEPTANCE must also be written. See example, last draft on page 71.

When accepting a Draft that is to be paid a certain time after date, write across its face the word *accepted* and *your name* only, as the maturity of the Draft is to be reckoned from the date of itself; but when accepting a Draft ordered to be paid a certain time after sight, or at sight, place the *date of acceptance* also, as it is from this date the maturity of the Draft will be reckoned. If the Drawer has left the place of payment optional with you, insert it with the acceptance. See the manner of Accepting Drafts on page 71.

In Canada three days of grace are allowed on all Drafts, except those payable on demand.

It is the usual custom to send Drafts through a Bank for acceptance or collection, as it ensures prompt returns. The rate of commission, or exchange, generally charged by the Bank for collections is $\frac{1}{4}$ of 1 per cent. If you desire to draw upon a man so as to realize a certain amount, you must make

the Draft for that amount *and the exchange*. When a Draft has to go through several Banks for collection, as, for example, if you draw upon a man in the United States or a distant Province in the Dominion, and you don't know at the time of drawing what the exchange will be, add the words "*with exchange*" after the amount in the body of the Draft.

FORM OF SIGHT DRAFT, THREE PERSONS CONCERNED.

\$75.00.

Cobourg, Ont., Jan. 1st, 1908.

At sight, for value received, pay *Henry Campion, or order, seventy-five dollars, and charge to account of

‡To A. R. HAMILTON,
Whitby, Ont.

† S. T. VANCE.

FORM OF DEMAND DRAFT, THE DRAWER BEING BOTH DRAWER AND PAYEE.

\$150.50

Belleville, Ont., Oct., 26th, 1908.

On demand, for value received, pay to the order of myself the sum of one hundred and fifty $\frac{50}{100}$ dollars, and charge to account of

To A. R. McKIM,
Montreal.

W. B. ROBINSON.

TIME DRAFT, MATURITY RECKONED AFTER DATE, SIGNATURE OF DRAWER PER PRO.

\$200.00

Toronto, Nov. 1st, 1908.

Thirty days after *Accepted payable at the Merchants Bank, Oshawa, Ont.* *Isaac East.* pay to the order of W. R. Lingham, two hundred dollars, value received, and charge to the account of

To Isaac East,
Oshawa, Ont.

S. T. Vance,
per pro. A. L. MATHESON.

TIME DRAFT, MATURITY RECKONED AFTER SIGHT.

\$257.00

Hamilton, Jan. 3rd, 1908.

Thirty days after *Accepted January 5th, 1908, payable at my Office in Oshawa, Ont.* *Isaac East.* sight pay to the order of W. R. Lingham, two hundred and fifty-seven dollars, value received, and charge to account of

To Isaac East,
Oshawa, Ont.

S. T. VANCE.

* Payee. † Drawer. ‡ Drawee.

NOTE.—A Bank Draft is purchased from a bank for the purpose of making a remittance. Refer to Index.

AN ACCOMMODATION DRAFT.

An Accommodation Draft is a Draft drawn upon and accepted by a person to accommodate the drawer, who wishes to raise money upon it. It is not, like an ordinary draft, drawn by a creditor upon a debtor for goods sold, or to effect a settlement of account. The acceptor of an Accommodation Draft assumes the liability to pay, without value, simply to oblige his friend, the drawer. He is the primary debtor on the bill, and, in consequence, occupies a worse position, if he is compelled to pay it, than the accommodation indorser on a Promissory Note, who, if he is obliged to pay it, has unquestioned recourse to the maker.

See "An Accommodation Note," at page 74.

RULES FOR JOURNALIZING DRAFTS.

CREDIT the person or bank you draw on, because that person or bank pays, or undertakes to pay, an amount on your account. Debit the person who draws on you, because you pay, or undertake to pay, a certain amount on his account.

DEMAND DRAFT.—	(1) Drawer's Entry,	Payee Dr. to Drawee.
" "	(2) Payee's Entry,	Cash Dr. to Drawer.
" "	(3) Drawee's Entry,	Drawer Dr. to Cash.
TIME DRAFT.—	(4) Drawer's Entry,	Payee Dr. to Drawee.
" "	(5) Payee's Entry,	Bills Receivable Dr. to Drawer.
" "	(6) Drawee's Entry,	Drawer Dr. to Bills Payable.

If the Drawer is also the Payee his entry for number one would be: Cash to Drawee; and for number four it would be: Bills Receivable to Drawee.

If you bought merchandise and gave in settlement a draft on a person who owes you, make

Merchandise Dr.
To Drawee.

If you sold merchandise and received in settlement from the buyer a time draft on a person who owes him, make

Bills Receivable Dr.
To Merchandise.

If it were a demand draft, Cash would take the place of Bills Receivable.

*PROMISSORY NOTES.

DEFINITION

A Promissory Note is an unconditional promise in writing made by one person to another, signed by the maker, engaging to pay on demand or at a fixed or determinable future time, a sum certain in money, to, or to the order of, a specified person, or to bearer.

When a note is given or received on account, it should be entered in the person's account with whom the transaction occurs. The note settles so much of the account, and may change hands many times before it becomes due, and it must be paid to the holder. Should suit be brought, because the note was not paid, it would be brought upon the note not upon the account. Notes are dealt with more extensively further on. See index.

*See Indorsements. Look in the index.

The legal rate of interest that can be collected on a note, not paid when due, is five per cent. per annum, from the date of maturity.

FORMS OF NOTES.

NEGOTIABLE WITHOUT INDORSEMENT.

\$100.

Halifax, N. S., Oct. 28th, 1908.

Three months after date, I promise to pay \pm S. G. Beatty, or bearer, one hundred dollars, for value received.

†THOMAS WILLIAMS.

(THE PERSON WHO MAKES A NOTE IS CALLED THE MAKER†; THE PERSON IN WHOSE FAVOR A NOTE IS MADE IS CALLED THE PAYEE \pm .)

NEGOTIABLE BY INDORSEMENT.

\$100.

Hamilton, Ont., Oct. 28th, 1908.

Three months after date, I promise to pay S. Clare, or order, one hundred dollars, for value received.

THOMAS WILLIAMS.

NON-NEGOTIABLE.

\$100.00.

Toronto, Ont., Oct. 28th, 1908.

Three months after date, I promise to pay Geo. Dean only, one hundred dollars, for value received.

THOMAS WILLIAMS.

PAYABLE ON DEMAND.

\$100.00.

Vancouver, B. C., Oct. 28th, 1908.

On demand, I promise to pay Messrs. Jones & Brown, or bearer, one hundred dollars, for value received.

THOMAS WILLIAMS.

PAYABLE AT A BANK.

\$100.00.

Moncton, N. B., Nov. 25th, 1908.

Three months after date, I promise to pay John Smith, or order, at the Bank of Commerce, here, one hundred dollars, for value received.

PETER. J. WILSON.

*PAYABLE AT BANK, WITH INTEREST.

\$340.42.

St. John, N.B., Oct. 28th, 1908.

Three months after date, we promise to pay Messrs. East & West, or order, at the Merchants Bank of Canada, here, three hundred and forty $\frac{42}{100}$ dollars, with interest at seven per cent. per annum, for value received.

SMITH, JONES & CO.

JOINT NOTE.

\$300.00.

Edmonton, Alta., Jan. 1st, 1908.

Three months after date, we jointly promise to pay R. Brown, or order, three hundred dollars for value received.

E. T. HAMBLY,
J. G. SHERRY.

JOINT AND SEVERAL NOTE.

\$210.00.

Regina, Sask., Oct. 28th, 1908.

Ninety days after date, we jointly and severally promise to pay Geo. Wallbridge, or order, two hundred and ten dollars, for value received.

JOHN BROWN,
WM. BROWN.

*It is always desirable to *fix a place* for the payment of a note, which is usually the bank at which the maker keeps his account. Hence, when making a note, state where you intend to provide funds for its payment, as in the above example. To secure interest at 7 per cent. after maturity, should the note not be paid when due, add the words *as well after as before maturity until paid*, after the word annum.

NOTE MADE BY A MAN WHO CANNOT WRITE.

(A Marksman.)

\$100.00.

Montreal, Que., Nov. 5th, 1908.

Three months after date, I promise to pay to the order of Nelson Lingham, one hundred dollars, for value received.

SILAS THOMPSON, }
E. REID, } *Witnesses.*

ROBERT ^{his} × McNAUGHTON.
mark,

NOTE.—Read this over to the maker carefully, and explain it, so that you will be able to prove that he knew what he signed.

AN ACCOMMODATION NOTE

Is one made payable to the order of an endorser, for the purpose of raising money for the maker at a bank or from a private lender, or it may be given as security for an existing debt. After it is indorsed, the holder will have recourse against both parties. If not paid when due, notice of non-payment must be sent to the endorser not later than the day after maturity, or recourse against him will be lost. See protests. See "An Accommodation Draft," at page 72.

LIEN NOTES.

Purchasers of agricultural implements, pianos, organs, sewing machines, etc., who do not pay in full at the time of purchase, are usually required to give a Lien Note to secure the balance. As will be seen by the following form, the property continues to belong to the seller until it has been paid for in full.

A COMMON FORM OF LIEN NOTE.

\$..... BELLEVILLE,.....1908.

On the first day of.....1908, I promise to pay THE G. & J. BROWN MANUFACTURING Co., Limited, at their office in Belleville, for value received.....Dollars, with interest at seven per cent. per annum, and at the rate of ten per cent. interest after date of maturity until paid. I further agree to furnish security satisfactory to you at any time if required. If I fail to furnish such security when demanded, or should I sell or otherwise dispose of the land or personal property I am now possessed of, then this note is to become due and payable forthwith; and you may retake possession of the article for which this Note is given without process of law, and sell it by public or private sale, but the taking and selling of said article shall not relieve me of my liability for any balance of the purchase price still unpaid after such sale. The title and right to the possession of the property for which this Note is given shall remain vested in THE G. & J. BROWN MANUFACTURING Co., Limited, until this Note or any obligation given therefor is paid.

I hereby acknowledge having this day received a copy of this Note.

Lot.....Con.....Township.....

P. O. Address.....

Witness.....

KIND OF MACHINE.

Number of Machine.....

Agent.....

A LIEN NOTE IS NOT AN ORDINARY PROMISSORY NOTE.

According to a recent decision given in Ontario, a Lien Note is not an ordinary Promissory Note, and, consequently, is non-negotiable. The Lien condition makes it non-negotiable. It can be transferred by assignment like an ordinary contract, and would be subject to any off-sets and legal defences that existed between the original parties.

Promissory Notes and Bills of Exchange are dealt with by the Dominion Parliament, while Lien Notes are dealt with by the Provincial Legislature. Further reference to Notes and Bills will be found in a subsequent part of the work.

JOURNAL ENTRIES FOR PROMISSORY NOTES.

(1) Bought merchandise amounting to \$100, and gave a Note in settlement.	(1) Merchandise, \$100.00 To Bills Payable, \$100.00
(2) Sold merchandise amounting to \$100, and received a Note in settlement.	(2) Bills Receivable, 100.00 To Merchandise, 100.00
(3) Gave John Newton my Note for \$100, in settlement of account.	(3) John Newton 100.00 To Bills Payable, 100.00
(4) Received from David Price, his Note for \$360, in settlement of account.	(4) Bills Receivable, 360.00 To David Price, 360.00
(5) Gave R. C. King, my Note for \$200, bearing interest at 6% per annum, in settlement of account.	(5) R. C. King, 200.00 To Bills Payable, 200.00
(6) Received from Charles Lattimore his Note for \$260, bearing interest at 7% per annum, in settlement of acct.	(6) Bills Receivable, 260.00 To Chas. Lattimore, 260.00
<i>(The last two notes bear interest, but the interest account is not affected when they are issued or received; it will be when they are paid. See Nos. 9, and 10.)</i>	
(7) Paid my note in favor John Newton, for \$100, due to-day (either in cash or by cheque).	(7) Bills Payable, 100.00 To Cash, 100.00 (or To Bank, if paid by cheque).
(8) Received payment of note for \$360, against David Price, due to-day (either in cash or by cheque).	(8) Cash, 360.00 To Bills Receivable, 360.00
(9) Paid (in cash or by cheque) my Note in favor of R. C. King, due to-day, face of Note \$200, interest accumulated, \$3.00.	(9) Bills Payable, 200.00 Interest, 3.00 To Cash, 203.00 (or To Bank, if you paid by cheque).
(10) Received payment of Note against Charles Lattimore, due to-day (either in cash or by cheque); face of Note, \$260, interest accumulated, \$7.	(10) Cash, 267.00 To Bills Receivable, 260.00 " Interest, 7.00

Journal Entries for Discounting Notes, and paying and receiving payment before maturity, will be found further on. See index, "Discounting Notes and Entries."

Journal Entries for Renewals of Notes will be found further on. See index, "Entries for Renewals of Notes."

ORDERS.

An Order is a written request to deliver or pay goods on account of the person signing the request. The signature is a voucher that the signer gave the order, and that he is responsible for the payment of what is ordered. When an order is received and acceded to, an entry should be made charging the signer; and if the order is for the benefit of a third party, it is well to mention in the entry the name of the person to whom the goods were delivered. The order should be kept until settlement is made, as it is a confirmation of the charge. *No verbal promise to pay for goods got by another, or to answer for another's default, is good. The contract must be in writing.*

ORDER FOR GOODS.

MESSRS. PAGE, WEST & CO.,

Winnipeg, Man., Jan. 1st, 1908.

Gentlemen:—Please deliver to H. S. Cathcart, the value of fifty-seven dollars in goods from your store and charge to the account of

B. C. SANDERS.

DUE BILLS.

A Due Bill is a written acknowledgment of a debt.

DUE BILL FOR MONEY.

Victoria, B. C., Jan. 9th, 1908.

Due Samuel Clare, for value received, one hundred dollars.

\$100.00

GEO. H. CAMP.

DUE BILL FOR GOODS.

Brandon, Man., Jan. 30th, 1908.

Due Sanford Farmer, twenty dollars in goods from our store.

\$20.00.

ROSS & BAIN.

I. O. U.

Is a memorandum of a debt given by a borrower to a lender, as for example:—

Charlottetown, P. E. I., April 28th, 1908.

MR. A. B., I. O. U. ten dollars,

C. D.

It is not a promissory note, and is not transferable, but is valuable evidence of the existence of the debt.

QUESTIONS FOR REVIEW.—CHAPTER IV.

What three qualities of an Accountant are essential to success? When the term of a bill is expressed in days, when do you begin to count the time to run? Give examples. When the term of a bill is expressed in months, how do you determine when it falls due? Give examples of bills drawn on different dates and running the same time, falling due on the same day. Explain how the term of payment may be extended three or four days, by advancing the date of bills one day. When the last day of grace of a bill falls on a Sunday or a legal holiday, when is it payable? From what time does interest run on an open account? What is a Bill of Goods? A Monthly Statement? An Invoice? A Credit Note? An Account of Sales? A Receipt? Can a Receipt be legally demanded? Is it conclusive? Give different forms of Receipts. Are receipts necessary in business transactions? What is Negotiable paper? How is it drawn? How is it transferred? For what is the Indorser liable? What is Procuration? How does one sign by Procuration? What is a Draft? Name the kinds of Drafts. What is the difference between a Sight Draft and a Demand Draft? How is a Draft accepted? Explain an Accommodation Draft. Give rules for making the Drawer's, Drawee's and Payee's entries in case of a *Demand Draft*. In case of a *Time Draft*. What is a Promissory Note? Give different forms of Notes. What is an Accommodation Note? What is a Lien Note? Give Journal entries for Notes under the various conditions named. What is an order? How is the signature to an Order considered? Give examples of different kinds of Orders. What is a Due Bill? Give examples of Due Bills for Money, for Goods. What is an I. O. U.?

CHAPTER V.

SHIPMENTS AND CONSIGNMENTS.

The learner should carefully study and fix in his mind the following explanations on shipments, before commencing the work of Set V.:

Merchants or manufacturers having goods which they cannot dispose of to advantage at home often send them to some person known as a Commission Merchant, doing business in another place, by this means frequently finding a better market. The Commission Merchant is paid for his work by commission on the sales, varying from 2 per cent. to 5 per cent.

These transactions give rise to the Shipment and Consignment Accounts.

Consignor is a name given to the shipper of goods.

Consignee is the person to whom the goods are shipped.

"Shipment," as a Ledger title, is a fictitious name given to merchandise shipped to be sold on account and risk of the Consignor. It is made Dr., when the goods are shipped, for their cost value and for all charges; it is

credited with the net proceeds, when the account of sales is received, by making the person to whom the goods were shipped, or whatever he has remitted you in payment for it, Dr. to the shipment. After the items have been posted to the Ledger, the account is closed "To" or "By *Loss and Gain*." If an account of the sales has not been received, when closing the Ledger, the shipment account is closed "By Balance Inventory," for what it was charged with when the shipment was made.

"Consignment," as a ledger title, is a name by which you keep an account with goods received by you to sell on account and risk of the Consignor.

It is debited for all charges paid by you when received, and for all costs accruing on the same while in your possession, and credited for sales. It is closed by making it Dr. to your commission, to charges, and to the Consignor for his net proceeds, or to whatever you may remit him.

In either case the account balances when all the transactions have been posted to the ledger.

The term "Shipment," when used as a ledger title, should have the Consignee's name or place of residence attached, and each one should be numbered, in order that you may distinguish between different shipments to the same person or place.

"Consignment," when used as a ledger title, should have the Consignor's name prefixed, and each one should be numbered.

Thus,—If you ship goods to Joseph McKay, of Montreal, to be sold on your account and risk, your ledger title should be "Shipment to McKay No. 1," or "Shipment to Montreal No. 1," and his ledger title should be "Student's Consignment No. 1."

EXERCISES IN JOURNALIZING SHIPMENTS AND CONSIGNMENTS.

<i>Transactions.</i>	<i>Journal Entries.</i>
(1) Adams shipped to Benson, to be sold on his own account, 100 bbls. Flour, valued at \$550.	(1) Shipment to Benson, Dr. \$550.00 To Mdse.* 550.00
(2) Benson, on receipt of Flour, pays \$15 for freight by cheque.	(2) Adam's Con., Dr. 15.00 To Bank 15.00
(3) Benson sells the goods at 12½ per cent. advance, and receives in settlement note at 1 month for one-half and cheque for balance.	(3) Bills Receivable, Dr. 309.38 Cash Dr. 309.37 To Adam's Con. 618.75
(4) Benson renders an Account Sales, his unposted charges being as follows: Insurance \$3, Storage \$5.50, Cooperage \$2.30, Commission 5 per cent., and remits net proceeds by draft on Bank of Montreal, for which he pays cash.	(4) Adam's Con., Dr. 603.75 To Charges 10.80 " Commission 30.94 " Cash 562.01
(5) Adams receives Account Sales with draft on Bank of Montreal, \$562.01.	(5) Cash Dr. 562.01 To Shipment to Benson 562.01

*The credit to Merchandise when goods are sent on consignment should always be at the cost price. See further on, "Merchandise sent on Consignment."

Remarks on 1st transaction.—If Adams had paid \$16 freight, insurance, or other charges on the shipment, his Journal entry would have been :

Shipment to BENSON, <i>Dr.</i>	\$566.00
To MDSE.....	\$550.00
" CASH [or Bank, if payment was made by cheque].....	16.00

Remarks on 2nd transaction.—If Benson, on receipt of Consignment, had paid no charges, he would simply have made a memorandum, but no Journal entry, as there would have been no account affected. He takes no responsibility more than the safe care of the goods, until he begins to make sales from them.

Remarks on 3rd transaction.—The individual purchasing, or the account representing the thing received, for the whole or any portion of a Consignment, is made *Dr.* to the Consignment.

Remarks on 4th transaction.—In Example 4, the proceeds are remitted to the shipper, and Cash is credited ; if a Note was sent, Bills Payable would be credited ; if nothing was sent, Adams' personal account would be credited.

The method of making out Account Sales is shown in examples at pages 66 and 67.

In making the Account Sales entry, first find what the total sales amount to, then the total charges incurred while in your care, and by deducting the total charges from the total sales, you obtain the amount which you are to remit to the shipper, or place to his credit.

The "Charges account" is a representative account opened to show income from such sources as the charge made for insuring the Consignment against fire while in your possession (your general policy covering the contents of your warehouse), the charge made for storing it, and the charge made for the time spent by your men in coopering the barrels, etc.

The "Commission" account is of the same nature, opened to show income from commission charged for selling goods.

Remarks on 5th transaction.—If the Account Sales had been received without a remittance of any kind, Adams' entry would have been :

BENSON, <i>Dr.</i>	\$562.01
To Shipment to BENSON,.....	\$562.01

THE LEDGER ACCOUNTS SHOWING ABOVE SHIPMENT AND CONSIGNMENT.

DR.		SHIPMENT TO BENSON NO. 1.				CR.	
	To Mdsc.		550 00		By Cash		562 01
	" Loss and Gain		12 01				
			562 01				562 01

ADAMS' CON. No. 1

	To Bank	15 00	By *Sundries	618 75
	" *Sundries	603 75		
		618 75		618 75

*The Sundries are : Charges account, Commission account, Cash account.

*The Sundries are : Bills Rec. account, Cash account.

SET V.

BOOT AND SHOE BUSINESS, WHOLESALE AND RETAIL.

THE CASH-BOOK (A SIMPLE FORM) IS USED IN PERFORMING THE WORK OF THIS SET. SEE FORM AT THE END OF SET. MAKE THE ENTRIES IN THE CASH BOOK AT THE SAME TIME THAT YOU MAKE THE ENTRIES IN THE DAY BOOK.

CHARACTERISTICS.—*Buying and Selling for Cash, on Notes and on Personal Account; Shipping to be sold on account of the Shipper; Commencing with a Net Capital, effecting a Net Gain, and closing with increased Capital.*

KINGSTON, April 1st, 1908.

* ————— this day commences business with the following RESOURCES AND LIABILITIES. RESOURCES.—Cash, as per C. B., \$3,850; Thomas Holden's Note, dated Dec. 9th, 1907, at 4 months, \$500; an accepted Draft drawn by A. M. Foster on John Templeton, dated Feb. 1, at 60 days' sight, and accepted Feb. 4, \$400; A. L. Bogart's Note, dated Jan. 14, at 3 months, with interest at 8 per cent. for \$250; Interest accrued on above Note, \$4.22; J. W. Campion owes on account, \$450; L. W. Yeomans owes on account, \$375.—TOTAL RESOURCES, \$5,829.22. LIABILITIES.—Am owing on note, favor of F. Lockett, dated Dec. 9, 1907, at four months, \$325; Ames, Holden & Co., Montreal, on account, \$175; F. B. Clark, on account, \$220. TOTAL LIABILITIES, \$720.

2—Bought of Haines & Lockett, on my notes, for equal amounts, at 1, 2 and 3 months from this date, Merchandise as per invoice, \$5,100.

"—Bought of Ames, Holden & Co., on account, Merchandise as per invoice, \$3,500.

"—Paid Cash for a set of Books for store, \$12.50; for Freight, \$8.25; Total, \$20.75. *Cash sales this day, \$54.50.*

4—Sold L. W. Yeomans, on account, 1 pr. Calf Stitched Boots, \$6.50; 1 pr. Misses' Goat Laced Boots, \$2.40; 1 pr. Kid Slippers, \$1.25. Total, \$10.15. *Cash sales this day, \$70.80.*

Five Transactions occur on the 6th; leave a line, and rule under each.

6—Paid F. B. Clark, Cash on account, \$150. Paid for advertising, \$15.75. Accepted Ames, Holden & Co.'s Draft at 10 days' sight, favor Thomas Smith, for \$400. Received from J. W. Campion, Cash on account, \$250. *Cash sales this day, \$85.40.*

8—Received Cash for J. Templeton's acceptance of Feb. 4th, \$400. *Cash sales this day, \$95.*

9—Sold J. W. Campion, Belleville, on account :

5 cases, 60 pairs, Men's Stout Boots.....	at \$2.20	\$132.00
6 " 72 " Men's Lasting Gaiters.....	" 1.75	126.00
8 " 96 " Youth's Stout Boots.....	" 1.80	172.80
4 " 240 " " Brogans.....	" 60	144.00
4 " 240 " Women's Split Boots.....	" 1.10	264.00
2 " 120 " " Congress Gaiters.....	" 1.25	150.00
2 " 120 " Pebbled Buff Bals.....	" 1.25	150.00

Total..... \$1,138.80

Cash sales this day, \$115.40.

10—Bought for Cash 10 shares of the Capital Stock of the Ontario Transportation Co. at the par value, \$50, \$500.†

11—Shipped per steamer "Passport," and consigned to W. T. Tilley, Port Hope, Ont., to be sold on my account and risk : 10 sides No. 1 Sole Leather, "Hemlock Spanish," 240 lbs. at 25c.; 1 roll No. 1 Buffalo Sole, 300 lbs. at 22c.; 2 rolls Pebbled Cow, 280 feet at 15c.; total, \$168; paid freight on same, in Cash, \$10.50. (Study Shipments and Consignments, pages 77 to 79).

*Your own name.

†Ontario Transportation Company Shares Account Dr. to Cash.

- 12—*Renewed Thomas Holden's note for 2 months, due this day, for \$500; interest on renewal, at the rate of 7% per annum, \$6.14. *Cash sales this day*, \$114.70.
- 13—Sold L. W. Yeomans, on account, 1 pair of Misses' Calf Stitched Boots at \$2.75; 1 pair do. Lasting Gaiter Boots, \$1.75. Total, \$4.50.

Redeemed my note of December 9, favor of F. Lockett, by giving him a draft at 30 days' date on J. W. Campion, \$325.00. *Cash sales*, \$124.00.

- 14—Sold John Mansard, Brockville:

10 cases, 120 pairs, Men's Calf Stitched Boots.....	at	\$ 5.00	\$600.00
5 " 60 " " Sewed "		4.00	240.00
6 " 360 " Women's Calf Lace.....		1.25	450.00
1 " 60 " " Goat Buskin.....		1.20	72.00
1 " 60 " " Lace Boots.....		1.25	75.00
2 " 120 " " Colored Gaiters.....		1.10	132.00
2 " 120 " " Prunella Bals.....		1.25	150.00

Received in settlement, his notes, one at 30 days for \$475.00. Total—\$1,719.00
 60 " 544.00.
 From this date 90 " 700.00.

- 16—†Received dividend at the rate of 10 per cent. on stock held in the Ontario Transportation Co., \$50.00. *Cash sales this day*, \$125.75.
- 17—Received from A. L. Bogart, cash in full for his note of Jan. 14th, and interest thereon to date; face of note, \$250; interest for 93 days, at 8 per cent., \$5.10. *Cash sales*, \$118.25.
- 18—Paid Ames, Holden & Co. cash on account, \$500.00. Paid the following items of expense: Painting Shop, \$35; Repairing Windows, \$140; Cleaning Store, \$4.50; total \$179.50. *Cash sales this day*, \$125.50.
- 20—Paid Ames, Holden & Co.'s draft of the 6th inst., in favor of T. Smith, \$400. *Cash sales*, \$136.20.
- 22—Bought of Jno. McKeown, for cash, Merchandise, as per invoice, \$1,200.
 "—Received from L. W. Yeomans, Demand Draft on John Smith, for \$835.15.
 "—Bought of Thomas Brown, for John Mansard's note of April 14th, Merchandise, \$700.
 "—*Cash sales*, \$175.50.
- 23—Received from W. T. Tilley, Port Hope, an account of sales of the Leather shipped him the 11th inst.; the net proceeds, which have been entered to my credit, amount to \$211.50. (Study page 78). Paid F. B. Clark, cash in full of account, \$70.
- 24—Paid Ames, Holden & Co., cash on acct., \$200. Paid sundry repairs, \$15.50.
- 30—Paid rent, \$100; Clerk's salary, \$140. Gave Ames Holden & Co. a draft at 30 days on W. T. Tilley, for \$211.50.

Merchandise unsold as per Inventory, \$9,173.25. *Shares in Ont. Trans. Co.*, \$500.

Net capital at commencing, \$5,109.22. *Net gain*, \$2,673.22. *Net worth at closing*, \$7,782.44.

YOU ARE REQUIRED

From the above Day-Book to make out the following business papers, using for the same such names and amounts as would be required in a *bona fide* business.

Draw the three notes received on the 14th; the draft (with the acceptance upon it) paid on the 20th, and the demand draft received on the 22nd.

All necessary forms of Notes, Drafts, etc., may be found in the preceding Chapter.

Study the mode of Filing Letters and Documents further on. See Index.

NOTE.—When Notes, Drafts or other obligations fall due on Sunday, payment is not required by law until the next day.

*Under the head of "Entries for Renewals of Notes," you will learn how to make this Journal entry. See Index.

†Make Cash Dr. to Dividend.

CASH-BOOK.

This book is kept for the purpose of recording all Cash received and paid. There are various ways of keeping the Cash-Book (see forms for Sets IX. and XI.), but the following form is perhaps as simple as any for beginners, and is sometimes used by persons whose Cash transactions are not very numerous, and who are not scientific accountants.

It contains two columns for dollars and cents.*

When money is received from any source whatever, it must be entered in this book "To" (describe for what), and the amount extended into the *left* hand dollar and cent column, which is called the *debit* column; and when money is paid out for any purpose whatever, it must be entered in this book "By" (telling what for), and the amount extended into the *right* hand dollar and cent column, called the credit column. *If the account is kept correctly, the difference between these two columns will show at all times the balance of Cash in hand, and will agree with the actual amount of money found in possession by counting.* Any discrepancy results from error, which must be sought out and rectified before the account is balanced. The credit column can never be the larger, since it is impossible to pay out more money than you receive.

The Cash-Book should be balanced (and the cash counted) at the end of each week (*or daily when much business is done*), by entering the balance of Cash in hand in the credit column, in *red* ink, to distinguish it from sums paid away. After footing the columns and drawing the lines, bring the balance down, in black ink, entering it in the debit column. The lines should be ruled exactly as in the form. They serve to keep the new account distinctly separated from the old. It adds greatly to the appearance of your book to have the words "To" and "By" upon a perpendicular line. *Leave a space between the name of the account and the explanation, and begin the explanation on a uniform line, which rule with a lead pencil.*

The Cash may be tested at any time, without balancing the Cash-Book, by finding the difference between the debit and credit columns, on a scrap of paper, and comparing the difference with the Cash in hand. This should be done daily when the Cash-Book is balanced only once a week, as in the following form :

*The student will observe that in speaking of the money columns we designate the space for dollars and the space for cents, united, as but one column.

CASH-BOOK.—SET V.

Dr. Cr.

1908	1	To Capital,	Amount invested,	3850	
April	2	By Expense,	Acc. Books \$12.50, Freight \$8.25		20 75
"	"	To Merchandise,	Sales this day,	54 50	
"	4	" Merchandise,	Sales this day,	70 80	
			<i>*Balance in hand,</i>		*3954 55
				3975 30	3975 30
"	6		Balance brought down,	3954 55	
"	"	By F. B. Clarke,	Paid on Account,		150
"	"	" Expense,	Paid for Advertising,		15 75
"	"	To J. W. Campion,	Received on Account,	250	
"	"	" Merchandise,	Cash Sales,	85 40	
"	8	" Bills Receivable,	Rec. for Templeton's Acpt., B. B.	400	
"	8	" Merchandise,	Sales this day,	95	
"	9	" Merchandise,	Received for this day's sales,	115 40	
"	10	By O. T. Co. Shares,	Bought 10 shares at par,		500
"	11	" Ship't to Tilley,	Paid Freight,		10 50
"	12	To Merchandise,	Received for day's sales,	114 70	
			<i>*Balance in hand,</i>		*4338 80
				5015 05	5015 05
"	13		Balance brought down,	4338 80	
"	"	To Merchandise,	Received for sales this day,	124	
"	16	" Dividend Acct.,	†Ann'l div'd at the rate of 10% on O. T. Co.'s Shares,	50	
"	"	" Merchandise,	Sales this day,	125 75	
"	17	" Bills Receivable,	Received for Bogart's note B. B.,	250	
"	"	" Interest,	Received on above note,	5 10	
"	"	" Merchandise,	Received for day's sales,	118 25	
"	18	By Ames, Holden & Co.,	Paid on Account,		500
"	"	" Expense,	Painting, repairing and cleaning,		179 50
"	"	To Merchandise,	Sales this day,	125 50	
			<i>*Balance in hand,</i>		*4457 90
				5137 40	5137 40
"	20		Balance brought down,	4457 90	
"	"	By Bills Payable,	Ames, Holden & Co.'s draft of 6th		400
"	21	To Merchandise,	Cash Sales,	136 20	
"	22	By Merchandise,	Bought of John McKeown,		1200
"	"	To L. W. Yeomans,	For his demand draft on J. Smith,	835 15	
"	"	" Merchandise,	Sales this day,	175 50	
"	23	By F. B. Clarke,	In full of account,		70
"	24	" Ames, Holden & Co.,	On account,		200
"	24	" Expense,	Sundry repairs,		15 50
"	30	" Expense,	Rent, \$100; Clerk's salary, \$140		240
			<i>*Balance in hand,</i>		*3479 25
				5604 75	5604 75

*Red Ink.

†This dividend might be credited at once to Loss and Gain, as it is a gain from your investment in the shares of the O. T. Co., but it is better to show it through another account first. Open a "Dividend acct.," and credit it with the amount, and when closing the books write it into Loss and Gain from Dividend Account.

SET VI.

PRODUCE AND COMMISSION BUSINESS.—SINGLE PROPRIETOR.

BOOKS USED.—DAY BOOK, JOURNAL, LEDGER, BILL BOOK AND CASH BOOK.

CHARACTERISTICS.—*This and the succeeding Set are intended to illustrate the principles and practice of a simple commission, in connection with a general merchandise business; as also to some extent the giving and receiving of notes, drawing and accepting drafts, with allowance of interest and discount; keeping a bank account in the Ledger, drawing and receiving cheques, etc., etc. This Set illustrates the business of a Single Proprietor, closing with a net loss, and arranging to admit a partner, for the continuance of the business, in Set VII. Instead of Capital in the Ledger, use your own name and the word Capital after it.*

ST. JOHN, N. B., January 1st, 1908. Student invests in Cash \$5,000.

*Paid Cash for Office Furniture \$350, and for Books and Stationery \$50. Total \$400.

2—Deposited in the Bank of Montreal \$4,000.

3—Bought of W. Lingham, on my Acceptance at 10 days, 100 bbls. Extra Flour at \$6.75, \$675; 100 do. Superfine Flour, at \$8.25, \$825. Total, \$1,500.

4—†Paid for three months' rent in advance, per cheque, \$375. Received from Jones & Co., Hamilton, to be sold on their account and risk, 200 bbls. Extra Flour; paid vessel freight, insurance and drayage on same, per cheque, \$213.50.

5—Sold for cash, from Jones & Co.'s consignment No. 1, 100 bbls. Flour, at \$5.70, \$570. Sold W. B. Robinson, on acct., 135 bbls. Superfine Flour, at \$5, \$675.

6—‡Took out general policy of Insurance on contents of Warehouse for \$30,000 at $\frac{3}{4}$ per cent.; paid premium, per cheque, \$225. Sold for cash, 50 bbls. Extra Flour, at \$7.00, \$350; 45 do. Superfine Flour, at \$5, \$225. Total \$575. Deposited in Bank, \$1,000.

8—Received from Jones & Co., Hamilton, their second consignment, consisting of 100 bbls. new Mess Pork; paid vessel freight, insurance and drayage on same, per cheque, \$247.50. Sold J. Cummings on his note at 30 days, from this date, from Jones & Co.'s consignment No. 1, 100 bbls. Flour, at \$5.75, \$575.00.

9—Rendered Jones & Co., Account of sales of Flour, represented in "Consignment No. 1"; my charges on same are as follows: Storage, Insurance, Cooperage, etc., \$21.43; Commission $2\frac{1}{2}$ per cent. on sales, \$28.62; Jones & Co.'s net proceeds, \$881.45. (Study the Exercises on Shipments and Consignments, example 4, and remarks on 4th transaction; also method of making the account sales entry, at page 78).

10—Sold from Jones & Co.'s consignment No. 2, to Robt. Scott & Co., 75 bbls. Pork, at \$20, \$1,500, and received in payment their §Demand Draft on James Wilson & Co., for \$800; Cash, \$700. Deposited in Bank, \$2,000.

11—Accepted Jones & Co.'s Draft at 10 days' sight, in favor of W. H. Davy, for \$500.

12—Received from W. West, Toronto, to be sold on his account and risk, 3,325 bush. Wheat; paid vessel freight, insurance and drayage on same, per Cheque, \$175.

13—Sold from W. West's consignment No. 1, for Cash, 1,625 bush. Wheat, at \$1.00, \$1,625.

15—Received from Jones & Co., Hamilton, their third consignment, consisting of 1,000 bush. Rye, 500 bush. Oats; paid vessel freight, insurance and drayage on same, per Cheque, \$180.

"—Sold from Jones & Co.'s consignment No. 2, to H. Holden on account, 25 bbls. Pork, at \$21, \$525.

*Open an Office Furniture account for this, as Furniture is an asset. Charge Books and Stationery to Expense.

†Open a Rent account for this. ‡Open an Insurance account for this.

§ A distinction between a Demand Draft on a person and a Cheque is, that the former is drawn on an individual, and the latter on a bank. Both being payable on presentation are considered the same as Cash. As this Draft will be placed in the bank for collection we shall regard it as Cash received.

- 16—Closed Jones & Co.'s consignment No. 2 and rendered Account Sales of same; my charges for Storage, Cooperage, etc., \$19.78; Commission $2\frac{1}{2}$ per cent. on Sales, \$50.62; Jones & Co.'s Net Proceeds, \$1,707.10.
- 17—Received from W. West, Toronto, his second consignment, consisting of 4,725 bush. Wheat No. 1 Manitoba Hard; paid vessel freight, insurance and drayage, per Cheque, \$325.
- 18—Sold W. B. Robinson, on account, from Jones & Co.'s Consignment No. 3, 1,000 bush. Rye, at 70c., \$700. Bought of John Downing, on my note at 30 days from this date, 400 bush. Timothy Seed, at \$3, \$1,200.
- 20—Received from Jones & Co., Hamilton, their fourth Consignment, consisting of 454 bbls. Extra Flour; paid vessel freight, insurance and drayage on same, per Cheque, \$425. Deposited in Bank, \$1,000.
- 21—Paid my acceptance, favor of W. Lingham, due on the 16th, per cheque; face of Acceptance, \$1,500; Interest on same, five days, at 6%, \$1.23 *and protest charges, \$1.04; amount paid, \$1,502.27. Paid before maturity my note, favor of John Downing for \$1,200, due February 20th, discount off, 50 days, at 7%, \$6.90; *net amount paid per Cheque, \$1,193.10.
- 23—Received from W. B. Robinson, cash in full of acct.——†.
- 24—Paid my acceptance, favor of W. H. Davy, due this day, per Cheque, \$500. Deposited in Bank, \$1,875.

INVENTORY OF RESOURCES NOT SHOWN ON THE LEDGER.‡

Merchandise: 50 bbls. Extra Flour, at \$6.75, \$337.50. 400 bush. Timothy Seed at \$2.75, \$1,100. Total \$1,437.50. *Rent*, 2 months paid in advance, \$250; *Insurance*, 11 months' unexpired policy, \$206.25; *Furniture* valued at \$350.

Net Loss, \$81.17.

☛ READ NOW, "INSTRUCTIONS TO BE FOLLOWED CAREFULLY," BELOW.

NOTE—What should be done at the time of closing the books, when the property represented by such accounts as Furniture has depreciated, will be learned under the head of Plant Account. See Index.

INSTRUCTIONS TO BE FOLLOWED CAREFULLY.

Having journalized and posted this set, take off a COMBINED STATEMENT, (see example, page 86.) This statement combines the trial balance and two statements that you have taken separately in the previous five sets. You will then close the accounts in the usual way, *except that, instead of transferring the balances of the accounts that show resources and liabilities into a balance account, you will bring down those balances as follows, because the accounts are to be continued in the next set.*

*As Interest and Discount are the same in nature and effect, both representing the use of money, and both indicating the amount paid or received for its use, we do not deem it necessary to keep two separate accounts. See "Discounting Notes and Entries" for full explanation. The protest charges is the amount of expense incurred by the holder of the acceptance in having it protested for non-payment by a Notary Public, and which he (the holder) collects from the acceptor or security. See "Protests" for full explanation.

†You may leave this amount blank until you have posted thus far, then refer to the Ledger for amount, or take the debits and credits on a piece of paper from the Day-Book, and ascertain what amount he owes you.

‡Among the open Ledger accounts are W. West's Cons'g't. No. 1, Jones & Co.'s Cons'g't. No. 3, West's Cons'g't. No. 2, and Jones & Co.'s Cons'g't. No. 4; the former two of which show an excess of the credit side, and the latter two an excess of the debit side. As the business for which these accounts were opened is not concluded, they are treated in this statement precisely like personal accounts, delaying our claims for charges and commission.

§The value of unexpired rent and insurance, based upon advances made, should unquestionably be reckoned among our resources. We therefore place the amount of these on the credit side of their respective accounts, and treat them as we do inventories of goods unsold, and close into Loss and Gain only the expired portions. A moment's reflection will show you that in this way we debit the past year with only its own proper charge under these heads; you would deal with, say, coal on hand that had been charged to Expense in a similar way.

If an account is closed "*To Balance*," bring down under the footing and ruling the balance on the credit side of the same, "*By Balance*;" and if an account is closed "*By Balance*," bring down the balance on the debit side, "*To Balance*," dating the balances brought down. When all the balances are thus brought down, the *Resources and Liabilities* will be correctly located in the Ledger ready for the commencement and continuation of Set VII. See the foot-note at page 46, and the illustrations at pages 51 and 52; also Steamboat Ledger.

Before posting Set VII., take a Trial Balance of those accounts the balances of which have been brought down in the Ledger, to ascertain if the transfers have been properly made; or compare the balances brought down with the resources and liabilities in the statement, with which they should agree.

STATEMENT.

SET VI.

Instead of making out a Trial Balance and Statements of Losses and Gains, and of Resources and Liabilities separately, you may now write them in one

COMBINED STATEMENT.

Losses.	Gains.	Dr. Footings.	L. F.	Ledger Accounts.	Cr. Footings.	Resources.	Liabilities.
			41	Student, Cap. Acct.,	5000		
		10645	41	Cash,	10275	370	
12 50		2700	41	Merchandise,	1250	1437 50	
		575	42	Bills Receivable,		575	
		500	42	Jones & Co.,	2588 55		2088 55
		525	42	H. Holden,		525	
		9875	43	Bank of Montreal,	5361 37	4513 63	
		350	43	Furniture,		350	
125		375	43	Rent,		250	
50		50	44	Expense,			
18 75		225	44	Insurance,		206 25	
	41 21		44	Charges,	41 21		
	79 24		45	Commission,	79 24		
		175	45	West's Consignment No. 1,	1625		1450
		180	45	Jones & Co.'s Cons'g't. No. 3,	700		520
		325	46	West's Cons'g't. No. 2,		325	
		425	46	Jones & Co.'s Cons'g't. No. 4,		425	
	4 63	2 27	46	Interest and Discount,	6 90		
	*81 17			*Student's Net Inv't. \$5000,			
				* " " Loss	81.17		
				* " " Worth,			*4918 83
206 25	206 25	26927 27			26927 27	8977 38	8977 38

*Red Ink.

SET VII.

PRODUCE AND COMMISSION BUSINESS—*Continued.***READ THE
CHARACTERISTICS.**

This is a continuation of the business represented in Set VI., under a partnership; the business to be conducted precisely as in previous Set. The new partner, James Fenwick, invests cash equal to the net investment of the former single proprietor, which is shown in his Capital account after carrying to it the loss of the previous business.

- ST. JOHN, February 1st, 1908. The proprietor admits as a partner in the business, James Fenwick, who is to make a cash investment equal to the present net worth, the business to be conducted under the firm name of *——— & Co., each partner to give his time to the business, and the losses and gains to be divided equally. James Fenwick invests cash, \$——. Deposited in Bank, \$4,000.
- 3—Sold George Wallbridge on his Acceptance at 10 days, from W. West's Consignment No. 1, 1,700 bushels Wheat, at \$1.00, \$1,700. Closed W. West's Consignment No. 1, and rendered him an Account of Sales of the same; our charges for Storage, Insurance, etc., \$22.91; Commission, \$83.12; W. West's Net Proceeds, \$3,043.97.
- 4—Bought of S. White & Co., merchandise as per invoice \$1,454.25; gave them our Sight Draft, on H. Holden, for amount of his acct., \$——†; Cheque for balance, \$——.
- 5—Paid Jones & Co's Demand Draft on us, per Cheque, \$1,500.
- 7—Sold James Jennings, on his note at 1 month from this date, 4 hhds. Muscovado Sugar, 13,860 lbs., at 5½c., \$762.30.
- 8—Sold for Cash, 50 bbls. Extra Flour, at \$7.50, \$375. Paid Cash for Postage Stamps and Stationery, \$10.
- 10—Received Cash in full for J. Cummings' note of Jan. 8th, due this day, \$——†. Deposited in Bank, Cash, \$900.
- 12—Sold for Cash, 400 bus. Timothy Seed, at \$3.50, \$1,400.
- 15—Sold for Cash, from Jones & Co.'s Consignment No. 3, 500 bus. Oats, at 39c., \$195.00. Closed Jones & Co.'s Consignment No. 3, and rendered an Account Sales of the same; our Charges for Storage, Insurance, etc., amount to \$13.87; Commission, \$22.37; Jones & Co.'s Net Proceeds, \$678.76.
- 16—Paid W. West's Sight Draft on us in favor of the Bank of Montreal, per Cheque, \$2,500.
- 18—Sold Solomon Johns, on account, from W. West's Consignment No. 2, 3,525 bush. Wheat, No. 1 Manitoba Hard, at \$1, \$3,525; also from Jones & Co.'s Consignment No. 4, 454 bbls. Flour at \$5, \$2,270. Total, \$5,795.
- 19—Closed Jones & Co.'s Consignment No. 4 and rendered an Account Sales of the same; our charges for Storage, Cooperage, etc., \$24.59; our Commission, \$56.75; Jones & Co.'s Net Proceeds, \$1,763.66.
- 20—Sold for Cash, from W. West's Consignment No. 2, 1,200 bush. Wheat, No. 1 Manitoba Hard, at \$1, \$1,200.

NOTE.—When forming a partnership, a written agreement, called "Articles (or Indenture) of Co-partnership," should be made out and signed and sealed in the presence of a witness (see form in a subsequent part of the book) embodying all matters of importance. This precaution may save expensive lawsuits and endless trouble. A firm name and style is adopted at the outset and adhered to throughout: that is, you cannot sign "Jones & Brown" to-day, and to-morrow "Jones & Co." In Ontario a general partnership must be registered within six months after its formation at the Registry Office for Deeds of the county in which the business is carried on. There is a heavy penalty for omission.

*Student's Name.

†Refer to Ledger for amounts of these accounts.

- 21—Closed W. West's Consignment No. 2, and rendered Account Sales of the same; our charges for Storage, Insurance, etc., \$23.17; Commission at $2\frac{1}{2}$ per cent., \$118.12; W. West's Net Proceeds, \$4,258.71.
- 21—Received Cash in full for Geo. Wallbridge's Acceptance of the 3rd inst., face of Acceptance, \$1,700; Interest on same, 8 days overdue, at 6%, \$2.24; amount received, \$1,702.24. (See example 10, page 75).
- 25—Received Cash, less discount because of payment before maturity, for James Jennings' Note of the 7th inst., due March 10th; face of Note, \$762.30; discount at 8%, \$2.17; net amount received, \$760.13.* Deposited in Bank, \$4,500.
- 27—Received of Solomon Johns, Cheque in full of his account, \$——†. Deposited in Bank, \$6,000.
- 28—Accepted W. West's Draft at ten days, for balance of his account, \$——†. Sold for Cash, 8 hhd. Muscovado Sugar, 13,840 lbs., at 6c., \$830.40. Paid Jones & Co.'s Sight Draft, per Cheque, for balance of their account, \$——†.
- 28—All consignments having been disposed of, and all merchandise having been sold, we have this day arranged with Smith & Moore, for the sale to them of our business, including furniture, good will, etc., possession to be given March 1st; received their note at 3 months, for the following considerations and amounts: One month's prepaid rent, \$125; ten months' unexpired policy of \$30,000 insurance, amounting to \$187.50; furniture, \$300; ‡good will, \$2,000; total, \$2,612.50.
- Deposited in Bank, \$2,711.60.
- Total Net Gain, \$2,637.17.*

The following business papers are required to be made out by the Student from SETS VI. and VII.:

FROM SET VI.—Receipt for Rent, paid Jan. 4th. Note received from J. Cummings, Jan. 8th. Account of Sales rendered Jones & Co., Jan. 9th.

FROM SET VII.—Geo. Wallbridge's acceptance of February 3rd. W. West's Sight Draft, favor of Bank of Montreal, Feb. 16th. Account of Sales rendered W. West, Feb. 21st.

SINGLE ENTRY BOOKKEEPING.

Explained and Illustrated, and Contrasted with the Double Entry System, and the Former Changed to the Latter.

(EXTENDS TO PAGE 99).

Before the student enters upon the work of Set VIII. by Single Entry, we desire that he shall thoughtfully review the work he has already done by Double Entry; and we **require** that he shall study the fundamental principles of both systems, as explained, contrasted and illustrated in the following eleven pages.

* Bills Receivable must be credited for the full amount of the note. Hence you make—

Cash Dr.	\$760.13	
Discount Dr.	2.17	To Bills Receivable..\$762.30.

†See balance of these accounts in the Ledger.

‡The Good Will means the bonus paid for the privilege of securing an established business, one that is well known and possesses liberal patronage.

We shall first state in brief the Single Entry method.

**Necessity
of Records.**

It will occur to any sensible man doing business that he ought at least to keep a record that will show his dealings with the persons who become indebted to him, and with those to whom he becomes indebted. For this purpose, he records such transactions at the time of their occurrence in a day book or blotter, so clearly, and with such attention to detail, as will make the record good evidence in a court of law. At his leisure he will post these transactions to the respective accounts in his ledger. The accounts of those who have obtained value from him without settlement will be debited, and the accounts of those from whom he has received value without settlement will be credited. In addition to the day-book and ledger, he will find it convenient and desirable, also, to keep a cash-book, on the debit side of which he will enter cash when received, and on the credit side enter cash when paid out, naming the source from which it was received, and the object for which it was paid. At short intervals (daily, at least), he should ascertain whether the difference between the two sides (called the balance) of the cash-book agrees with the actual cash on hand. If he gives and receives promissory notes, and draws and accepts drafts, he should keep a record of these in a bill-book, by a glance at which he can see in a moment when these obligations will mature.

At the end of the business year, he can ascertain his financial standing and the gain or loss he has sustained, by making out a statement of his assets and liabilities. If the sum of the assets is the larger, he subtracts from it the sum of the liabilities, and the difference is his present worth or capital; if the sum of the liabilities is the larger, he subtracts from it the sum of the assets, and the difference is the amount of his insolvency. In an account called Capital, he has kept a record of his own personal dealings with his business—the credit side shows his investments, and the debit side his withdrawals of money or goods. In order to ascertain his gain or loss for the year, he will first find the difference between the two sides of the Capital account, which was his net investment for the past year; if he finds that his present worth is greater than his investment of last year, the difference is the year's profit; if he finds that his present worth is less than the investment, the difference is the year's loss.

The system briefly described above is known as Single Entry Bookkeeping, and is confined almost entirely to small retail dealers. It is altogether unsuitable for a wholesale or manufacturing business, or for an extensive retail business. In our opinion it is not desirable for even a small retail business.

The Double Entry system should be universally pursued, because it alone records, throughout the year, the transactions with such accuracy and detail as are necessary to determine in the ledger, not only the standing of personal accounts, but the condition of all assets and liabilities, as well as to exhibit all the sources of gain and loss, and thus make it possible to present the financial standing, and the results of the business, in an analytical form.

**Value of the
Double Entry
System.**

“It is the great note-book of the experiments of every hour.”

**Changing the
Books from Single
to Double Entry.**

Let us suppose, now, that the books of a business have been kept by Single Entry, and it is desired to change to the Double Entry system. This can be done only at the stock-taking time, as the basis of the Double Entry system is a complete statement of the assets and liabilities, which we will suppose is the following :

**STATEMENT OF ASSETS AND LIABILITIES OF
JONES & BROWN.**

(Date).

	Assets.	Liabilities.
Merchandise, on hand, as per inventory.....	\$9500 00	
Bills Receivable, notes against others as per bill-book.....	700 00	
Office and Store Furniture, as per inventory.....	300 00	
Cash, amount of money on hand.....	260 00	
Personal Accounts, owing us.....	1500 00	
(Show each one on a line by itself here, or make out a separate list of them if they are numerous).		
Bills Payable, our notes unpaid as per bill book.....		\$1600 00
Personal Accounts owing by us.....		720 00
(Show each one on a line by itself here, or make out a separate list of them if they are numerous).		
<i>John Jones invested</i>	\$4000 00	
<i>John Jones withdrew</i>	700 00	
<i>John Jones' net investment</i>	\$3300 00	
<i>John Jones' gain</i>	1620 00	
<i>John Jones' present capital or worth</i>		4920 00
<i>Robert Brown invested</i>	\$4000 00	
<i>Robert Brown withdrew</i>	600 00	
<i>Robert Brown's net investment</i>	\$3400 00	
<i>Robert Brown's gain</i>	1620 00	
<i>Robert Brown's present worth or capital</i>		5020 00
	<u>\$12260 00</u>	<u>\$12260 00</u>

From the above it will be seen that the assets amount to..... \$12260 00

And the liabilities amount to..... 2320 00

The difference being the present capital..... \$ 9940 00

The present net investment of both partners is..... 6700 00

So a gain has been made amounting to..... \$ 3240 00

Or \$1620.00 for each partner.

Go now to the Ledger and credit each partner with his gain, then balance each one's account, and bring down the balance on the credit side. The partners' accounts will now be as follows, and will agree with the exhibit of their affairs made in the above statement :

DR.

JOHN JONES, Capital Account.

CR.

To Withdrawals	\$ 700 00	By Investment	\$4000 00
" Balance	4920 00	" Gain as per statement	1620 00
	<u>\$5620 00</u>		<u>\$5620 00</u>
		By Balance	\$4920 00
		(Present Worth.)	

ROBERT BROWN, Capital Account.

To Withdrawals	\$ 600 00	By Investment	\$4000 00
" Balance	5020 00	" Gain, as per statement	1620 00
	<u>\$5620 00</u>		<u>\$5620 00</u>
		By Balance	\$5020 00
		(Present Worth.)	

You will next balance and close the personal accounts in the Ledger, and bring down the balances as above; then open the additional accounts that are necessary to bring the Ledger into perfect accord with the statement of assets and liabilities, which, as you observe, is in balance. You will open accounts with Merchandise, Bills Receivable, Office and Store Furniture, and Cash, *debiting* these accounts with the respective amounts, and open an account with Bills Payable, *crediting* it with the sum of the outstanding notes. Assets must always appear on the debit side of the ledger, and liabilities on the credit side. Check the ledger now with the statement, and if the old and the new accounts together agree with the statement, your ledger is converted into Double Entry.*

The Ledger in the single entry system has accounts with persons only; you will observe that in the Double Entry system there are not only accounts with persons, but with all other assets and liabilities; and you will observe, further, that the sum at the credit of the proprietors' accounts is just the difference between the assets and liabilities, or the actual capital they now possess. That is to say, the sum of the assets equals the sum of the liabilities and the capital.

The equilibrium or balance which now exists in the ledger must be maintained—for every debit there must be a corresponding credit—hence the term Double Entry.

When values are exchanged, the account representing the thing received is debited, and the account representing the thing parted with is credited. For example, if cash is paid for goods, merchandise account is debited and cash account is credited. So far as it goes, the rule which says "debit what is received and credit what is parted with" is correct; but business transactions are much more complicated than that simple rule would imply. Read again the 6th paragraph on page 15.

* See Illustrations at pages 95 to 99.

**The
Classification
of Accounts.**

Up to this point we have no accounts opened in the Ledger except with the assets and liabilities, which are, as yet, few in number. As business proceeds and extends, there will be great diversity in these; new forms of assets and new forms of liabilities will be created, for each of which there will be a Ledger account. For example, if land be purchased, an account will be opened with Real Estate, which will be debited; if a mortgage debt were assumed, an account would be opened with Mortgage Payable, which would be credited. The aim would be to keep constantly exhibited on the Ledger the condition of the various assets and liabilities, the accounts which exhibit them being properly called the *real* accounts.

In addition to the real accounts (those that exhibit the assets and liabilities), it is necessary that there should be accounts to show the sources of losses and gains. Every gain that is made in business is practically an addition to the capital, and every loss that is made (or expense incurred), is practically a loss of capital; but it would not be practicable to credit the gains as they are made, or debit the losses as they are made, to the proprietor's or capital account. A record, therefore, throughout the year is kept, under various Ledger titles, of the channels through which losses and gains accrue. These accounts, as they represent temporarily the changes constantly affecting the capital, we may with propriety term the *Representative* or *Nominal* accounts.

**When Part of
a Liability
Becomes a Gain.**

Part of a liability may become a gain under such a circumstance as the following: You owe a man \$100 for goods purchased. You pay spot cash and get off a discount of 5% = \$5.00, equivalent to an addition to your capital to that extent.

**When Part of
an Asset
Becomes a Loss.**

Part of an asset may become a loss under such a circumstance as the following: You hold a promissory note for \$300, on which you borrow money (discount it at a bank, say), the discount costs you \$4.00, equivalent to a loss of capital to that extent.

**Closing the
Accounts.**

At the end of the business year, in order to arrive at the result of the year's business, after taking the inventory of Merchandise on hand, and placing the amount on the credit side of Merchandise account (which will be brought down on the debit side after the account has been closed), we close these representative accounts over into the Loss and Gain account. If the credit side of a representative account is the larger, the account shows a gain; the difference between the two sides is the profit from the source that account represents, and it is closed "To Loss and Gain" for the difference, which is carried to the *credit* side of the Loss and Gain account. If the debit side of a representative account is the larger, the account shows a loss; the difference between the

two sides is the loss from the source that account represents, and it is closed "By Loss and Gain" for the difference, which is carried to the debit side of Loss and Gain account.

When the transfers have been made, or, in other words, when the representative accounts have all been closed into Loss and Gain account, the credit side of this account will exhibit in detail the amounts and sources of the profits, and the debit side will exhibit in detail the amounts and sources of the losses. If the credit side is the larger, the difference is the net profit for the year, and the amount is carried to the credit side of the proprietor's or capital account as an addition to the capital. If the debit side is the larger, the difference is the net loss for the year, and the amount is carried to the debit side of the proprietor's or capital account as a loss of capital.

Having closed the representative accounts (which have served their temporary purpose) into Loss and Gain account, and Loss and Gain account into the Capital account, your Ledger is again in the condition in which it was started; that is to say, the open accounts are those which show the assets and liabilities, and the capital account maintains the balance between them. In order to show at a glance the condition of each asset and liability and the capital, as well as to mark a period in the business, we balance each of the real accounts and bring down the balance in readiness to proceed with next year's record in the same accounts.

The Advantages of the Double Entry System. The Double Entry system, as you will now see, has recorded throughout the year all the changes that affected the assets and liabilities, and the condition of each asset and liability at the close of the business year is exhibited in the respective balances brought down in the ledger. It has also recorded in the representative accounts the working of the business in detail, and now exhibits in the Loss and Gain account the financial result. The Double Entry system of bookkeeping is the chart and compass and the pilot of the business man; it is commercial navigation; it tells him not only where he is, but also reveals the paths through which his present position has been reached. If any of these have been dangerous and unprofitable, he should avoid them in the future.

The advantages of the system of Double Entry bookkeeping will, doubtless, be apparent, even to the most inexperienced reader. There is another feature of the system which renders it invaluable; we refer to the constant check upon errors which exists in maintaining the equilibrium produced by an equal debit and credit for every transaction recorded. Two accounts, at least, are affected by every record, one of which is debited with a certain amount and the other credited with an equal sum; or one account may be debited and several accounts credited; or several accounts may be debited and one account credited; or several accounts may be debited and several accounts credited. Whatever way it may be, the sum or sums debited must invariably

equal the sum or sums credited. In order to ascertain whether the bookkeeping in this respect is correct, a trial balance is taken off at stated intervals, usually once a month. In debit and credit columns of the trial balance, opposite the names of the respective accounts, the total of each side is recorded; if the final additions of these columns agree, it is proof that the bookkeeping is, at least mechanically, correct. It will be apparent, of course, that if an equal debit and credit was made in the ledger for each transaction recorded, then the sum total of all the debits and credits should be equal, hence the name Trial Balance.

The Balance Sheet What is termed a Balance Sheet (see index for Balance Sheet forms), is an abstract from a ledger kept by Double Entry taken at the end of the business year on a sheet of paper suitably ruled, which may or may not include the trial balance. It exhibits in one set of columns the assets (the debit balances of the real accounts, including inventories) and the liabilities (the credit balances of the real accounts) and the state of the Capital, and in another set of columns, the losses and gains, so that the present condition of the business, and the result of the year's working, may be gathered at a glance or in detail.

If the assets exceed the liabilities, the surplus is the capital at present invested, the sum of which must correspond with the amount at the credit of the Capital account in the Ledger at the time of closing, showing the sum which the business owes to the proprietor. If the liabilities exceed the assets, the difference shows insolvency, and to what extent, the sum of which must correspond with the amount at the debit of the Capital account in the Ledger at the time of closing, showing the amount which the proprietor owes to the business.

The Asset and Liability columns of the Balance Sheet should agree with the balances brought down in the Ledger for the new year, and the Loss and Gain columns of the Balance Sheet should agree with the Loss and Gain account in the Ledger.

The term Balance Sheet is also applied to a statement of assets and liabilities only, and the term Revenue Statement is applied to a statement of losses and gains. See for illustration, statements at the end of "Bookkeeping for Churches, or other Public Institutions."

The custom on this side of the Atlantic in preparing a Balance Sheet is to place the assets on the debit (left hand side), and the liabilities on the credit (right hand side). In Great Britain and Ireland the practice is to place the assets on the credit (right hand side), and the liabilities on the debit (left hand side).

The former mode is the logical one. The Balance Sheet being an abstract from a double entry ledger, should exhibit the balances (i.e., the resources and liabilities) as they are there presented and brought down at the close of a business year. English accountants (using English as a generic term) are

advocating a change to the Canadian and United States custom. The present English practice dates, we believe, from 1862, when in the Companies' Act, passed that year, a *pro forma* Balance Sheet, made out in the way indicated, was inserted in Table A, and to which, of course, accountants and auditors for Joint Stock Companies were obliged to conform.

The Term Bookkeeper and the Term	A Bookkeeper is one who is competent to record, and is engaged in recording, the transactions of a business in such a manner that a clear and correct statement of its affairs may, when desired, be ascertained.
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Accountant. An Accountant is one who can do, and has been engaged at some time in doing, the work of a bookkeeper, but who has, through diverse experience, study and observation, so thoroughly mastered the principles of double entry bookkeeping, and has acquired such skill that he can create and formulate methods of accounting, in accordance with these principles, for any business, by which every result possible to it may be determined. He must also be competent to examine and pass judgment upon the records of business transactions made by others, and upon the final exhibits made of the results of these transactions (called auditing), and possess an extensive knowledge of the law applicable to banking, partnerships, arbitrations, joint stock companies, and negotiable instruments.

THE LEDGER AS IT WAS IN SINGLE ENTRY.

DR.	JOHN JONES (Capital Account).					CR.
	To Withdrawals,	\$700 00		By Investment,	\$4000 00	
ROBERT BROWN (Capital Account).						
	To Withdrawals,	\$600 00		By Investment,	\$4000 00	
W. C. McRAE.						
		\$200 00				
JOSEPH BRYCE.						
		\$160 00			\$20 00	
H. LAZIER.						
					\$175 00	
G. McCULLOUGH.						
		\$375				

DR.

H. J. ATTRIDGE.

CR.

			\$10				\$69 00
--	--	--	------	--	--	--	---------

R. JACKSON.

			\$53 00				
--	--	--	---------	--	--	--	--

W. H. WHITE.

			\$100 00				\$260 00
--	--	--	----------	--	--	--	----------

THOS. VINCENT

							\$23 00
--	--	--	--	--	--	--	---------

L. F. PURDY.

			\$50 00				\$20 00
--	--	--	---------	--	--	--	---------

K. FITZGERALD.

			\$201 00				\$50 00
--	--	--	----------	--	--	--	---------

J. B. LAMB.

			\$301 00				\$200 00
--	--	--	----------	--	--	--	----------

ALBERT STRONG.

			\$190 00				
--	--	--	----------	--	--	--	--

W. FLEMING.

			\$53 00				\$361
--	--	--	---------	--	--	--	-------

F. J. FORBES.

			\$260 00				
--	--	--	----------	--	--	--	--

The Same Ledger Converted to Double Entry.

(Not a *new* Ledger.)

DR.

JOHN JONES (Capital Acct.)

CR.

	To Withdrawals,	\$ 700 00		By Investment,	\$4000 00
	“ Balance,	4920 00		“ Gain,	1620 00
		<u>\$5620 00</u>			<u>\$5620 00</u>
				By Balance,	\$4920 00
				(Present Worth.)	

ROBERT BROWN (Capital Acct.)

	To Withdrawals,	\$ 600 00		By Investment,	\$4000 00
	“ Balance,	5020 00		“ Gain,	1620 00
		<u>\$5620 00</u>			<u>\$5620 00</u>
				By Balance,	\$5020 00
				(Present Worth.)	

W. C. McCRAE.

		\$ 200 00			
--	--	-----------	--	--	--

JOSEPH BRYCE.

		\$ 160 00		By Balance,	\$ 20 00
		<u>\$ 160 00</u>			<u>140 00</u>
	To Balance,	\$ 140 00			\$ 160 00

H. LAZIER.

					\$ 170 00
--	--	--	--	--	-----------

G. McCULLOUGH.

		\$ 375 00			
--	--	-----------	--	--	--

H. J. ATTRIDGE.

	To Balance,	\$ 10 00			\$ 69 00
		59 00			
		<u>\$ 69 00</u>		By Balance,	<u>\$ 69 00</u>
					\$ 59 00

DR.

R. JACKSON.

CR.

			\$53 00				
--	--	--	---------	--	--	--	--

W. H. WHITE.

		To Balance,	\$100 00				\$260 00
			160 00				
			\$260 00				\$260 00
					By Balance,		\$160 00

THOMAS VINCENT.

							\$23 00
--	--	--	--	--	--	--	---------

L. F. PURDY.

			\$50 00			By Balance,	\$20 00
							30 00
		To Balance,	\$50 00				\$50 00
			\$30 00				

K. FITZGERALD.

			\$201 00			By Balance,	\$ 50 00
							151 00
		To Balance,	\$201 00				\$201 00
			\$151 00				

J. B. LAMB.

			\$301 00			By Balance,	\$200 00
							101 00
		To Balance,	\$301 00				301 00
			\$101 00				

ALBERT STRONG.

			\$190 00				
--	--	--	----------	--	--	--	--

DR.	W. FLEMING.				CR.
	To Balance,	\$ 53 00			\$ 361 00
		308 00			
		\$ 361 00			\$ 361 00
			By Balance,		\$ 308 00

F. J. FORBES.					
		\$ 260 00			

MERCHANDISE.					
	To Amount as per Inventory,	\$ 9500 00			

BILLS RECEIVABLE.					
	To Amount of Notes on hand,	\$ 700 00			

OFFICE AND STORE FURNITURE.					
	To Amount as per Inventory,	\$ 300 00			

CASH.					
	To Amount on hand,	\$ 260 00			

BILLS PAYABLE.					
				By Amount of Notes outstanding,	\$ 1600

In the event of an omission of any assets or liabilities, discovered after the Ledger was changed to double entry, deal with them as instructed under the heading "Opening Ledgers under various circumstances." See Index.


SET VIII.

DRY GOODS BUSINESS.—TWO PARTNERS.

SINGLE ENTRY.

Exemplified in a partnership business, concluding with an illustration of the partnership settlement; PRESENTING, ALSO, A PRACTICAL ILLUSTRATION OF THE PROCESS OF CHANGING A SET OF BOOKS FROM SINGLE TO DOUBLE ENTRY.

The books used in the Single Entry Set are the Day-Book, Ledger, Cash-Book and Bill-Book.

 All transactions which require a debit or credit to any person with whom you have dealings are entered in the Day-Book; and as this is the only book from which you post, every entry which you wish to bring into any account in the Ledger must be entered here. An entry may be required in another book as well as in the Day-Book and Ledger for transactions with persons; for instance, if a man pays you money on account, or you pay money on account, it will be entered in the Cash-Book; likewise, if you receive a note on account or give one, an entry must be made in the Bill-Book.

We repeat again, when entering *purchases* it is allowable to say, "Amount as per Bill," or "Amount as per Invoice," and omit the details of items, since you have the Invoice filed away, or pasted in a book, so that you can refer to it at any time; but in entering *sales* on account, the *items* should always be mentioned in the entry, whether your books are kept by Single or Double Entry, *as this is your legal evidence of the transaction*; and in order to be taken as evidence, each article must be distinctly named. **See Form of Single Entry Day-Book, at page 103.**

LONDON, March 1st, 1908, J. S. MILLER and F. LANE this day commenced the Dry Goods business at No. 114 St. James Street, agreeing to share gains and losses according to capital invested.*

J. S. MILLER invests :

Cash, \$1,500; Merchandise, \$800; Note for \$600, favor J. S. M., made by Thomas Gibbard, dated January 31st, at 30 days; an accepted draft for \$400, drawn by J. Jones on D. Roblin, dated January 20th, at 90 days; balance due from J. R. Marvin, \$125. *Total Investment, \$3,425.*

F. LANE invests :

Cash, \$1,500; Merchandise, \$1,200; Real Estate, lot on Mountain Street, \$700; Note against S. Fowler for \$200, dated January 25th, at 60 days; Note against H. Jackson for \$800, dated Nov. 23rd, 1907, at 6 months, with interest at 7 per cent. Interest accrued on above note to date, 98 days, \$15.03. *Total Investment, \$4,415.03.*

2—Bought of W. McKay, on acct., Merchandise as per invoice, amounting to \$1,800. Sold Robert Carey, on acct., 50 yds. Blk. Broadcloth, at \$2.25; 12 Fancy Neckties, at \$1.00 each; 15 doz. prs. Lisle Thread Stockings, at \$3.25 per doz.

3—Sold James Goodwin 50 yds. Flannel, at 60c.; 25 yds. Broadcloth, at \$3.75; 66 yds. Cassimere, at \$1.25; received his Draft at 10 days' sight on A. Benson for \$55, which Benson accepted to-day, the balance to remain on acct.

NOTE.—The same transactions that are given in the 8th Set to be done by Single Entry are given in the first month of the 10th Set to be done by Double Entry. Thus the student has the opportunity of thoroughly understanding and contrasting the two systems. Besides comparing the two Ledgers, take the statements at the end of each set and observe the two methods of determining the gain, and arriving at the same result.

*Read now, "Distribution of Gains and Losses in Partnership," at page 102.

- 4—Bought of H. Simmons, Mdse. as per invoice, \$200; gave our note, at 60 days, for \$100; the balance to remain on acct.
 - 5—Sold W. Harding, for Cash, 2' pieces Irish Linen, 66 yds. each, at 85c.; 35 yds. Broadcloth, at \$2.50.
 - 6—Sold W. Williams, for Note at 30 days, 2 pieces Blue Broadcloth, 45 yds. each, at \$1.75; 90 yds. French Merino at 60c. Received from Robert Carey his Demand Draft on W. Johnson, for \$50.
 - 8—Sold James Goodwin, on acct., 90 yds. Scotch Tweed, at \$1.25; 45 ditto Red Flannel, at 55c. Bought of W. Harding, for our Note at 20 days, 5 pieces English Prints, 40 yds. each, at 25c. Sold Richard Manning, for his acceptance at 10 days, 10 yds. Blue Serge, at \$2.25; 15 yds. Mixed Tweed, at \$1.50.
 - 9—Received from James Goodwin his Demand Draft on John James, for \$85. Bought of Richard Watson, for Cash, Merchandise as per invoice, \$200.
 - 11—Sold Henry Simmons, 24 yds. Brown Beaver, at \$3.25; received Cash \$40; balance to remain on account. Bought of W. McKay, Merchandise as per invoice \$500; gave in payment, Cash, \$350; balance to remain on account.
 - 12—Sold Robert Carey, on acct., 55 yds. Blue Broadcloth, at \$1.75. Received from James Goodwin, on acct., Cash \$50, and Cheque on Bank of Montreal, \$30.
 - 13—Paid W. McKay, Cash, \$1,200. Sold John Johnson, for his Demand Draft on J. Wilson 15 pairs of pants, at \$3.75. Sold Robert Carey on acct., 30 Vests, at \$2.25; 12 Ready-made Coats, at \$5.50.
 - 15—Sold H. Simmons, on acct., 9 fine Overcoats, at \$16. Sold John Cummings, for his Note at 20 days, 12 Complete Band Uniforms, at \$15.
 - 16—Bought of A. Vermilyea, for our Note at 30 days, Mdse., as per invoice \$175. Received Cash for James Goodwin's Draft of the 3rd inst. Paid our Note of the 4th inst., in favor of H. Simmons, less discount at 6 per cent., for unexpired time.
 - 17—Received from Robert Carey, Cash, \$100. Sold James Goodwin, on acct., 50 Summer Coats, at \$2.50. Bought of W. McKay, on 3 months' credit, Mdse., as per invoice \$275.
 - 18—Received Cash in full for T. Gibbard's Note of January 31st, with interest at 6 per cent., for time overdue, 13 days. Received Cash on acct. from H. Simmons, \$40.
 - 20—Sold W. Manning, for Cheque on Merchants Bank, 10 Military Coats, at \$11; 10 pairs of Pants, at \$6. Sold Robert Carey, on acct., 5 doz. Byron Collars, at \$2 per doz.; 4 doz. Cravats, at \$3 per doz. Received from James Goodwin, Cheque on Bank of Montreal for \$155.
 - 21—Sold H. Simmons, on acct., 40 yds Black Serge, at \$1.80; 10 yds. Black Beaver, at \$3.75. Received Cash for R. Manning's acceptance of the 8th inst. Sold W. West for his Draft at 10 days on R. Bass, 50 yds. French Cassimere, at \$3. Bought of W. McKay, on acct., Mdse. as per bill, amounting to \$95.
 - 23—Sold Robt. Carey, on acct., 10 Summer Coats, at \$2.50; 40 yds. Red Flannel, at 55c.
 - 24—Gave W. McKay our Draft at 10 days' sight on James Goodwin for \$100. Sold H. Simmons on acct., 10 yds. Broadcloth, at \$2.25; 6 doz. French Yoke Shirts, at \$18 per doz. Bought for Cash, from Gault Bro's Co., Limited, Mdse. as per bill, amounting to \$300. Sold James Goodwin, on acct., 10 doz. Undershirts, at \$7 per doz.; 8 doz. pairs Knitted Drawers, at \$8 per doz.
 - 25—Paid W. McKay's Demand Draft on us, favor W. Barnes, for \$500. Received from Robt. Carey Demand Draft on James Goodwin for \$125.
 - 26—Sold H. Simmons, on acct., 1 piece French Cassimere, 50 yds., at \$1.25.
- " Had H. Jackson's Note of Nov. 23rd, 1907, discounted at Merchants Bank; face of Note, \$800; interest, less discount at 7 per cent. for unexpired time, 61 days, \$18.54; cash received, \$818.54.*

*It is the custom of Banks when a Note bearing interest is discounted, to compute the interest for the full time on the face of the note, and add it to the Principal, then discount this amount. In this case, Jackson's Note bears interest at 7 per cent. for 184 days, and will amount, when paid, to \$828.23. The discount on this amount for the 61 days the Note has to run before it comes due, at 7 per cent., is \$9.69, and this, deducted from \$828.23, leaves \$818.54, the net proceeds received from the Bank. See Discount.

- 28—Sold James Goodwin 15 complete Uniforms at \$14; received in part payment Demand Draft on the Bank of Montreal, \$50, balance to remain on account.
- 29—Gave W. McKay our Demand Draft on H. Simmons, \$75. Bought for Cash, from Deacon Bros., Belleville, Ont., Mdse. as per bill, amounting to \$400. Received cash in full for S. Fowler's Note of January 25th. Paid cash for Gas Bill, \$20; Wood, \$15; Rent, \$50.
- 30—Received cash for D. Roblin's Draft of January 20th, less discount for unexpired time, at 7 per cent. Paid shop hands cash in full for services to date, \$120.

☛ When you have made the entries in the Day-Book, foot it and ascertain whether your footings are correct; if they are, post from the Day-Book to the Ledger (there is only one Debit or one Credit for each transaction).

Read now and study carefully from Page 88 to 99. You must not begin the Ninth Set until the Ledger has been changed to Double Entry.

Inventories—Merchandise unsold, \$3,800; Real Estate, \$700.

Net Gain, \$425.24; J. S. MILLER'S share of gain, \$185.77; F. LANE'S share, \$239.47.

Test the proportions of shares for yourself.

REMARKS ON THE DISTRIBUTION OF GAINS AND LOSSES IN PARTNERSHIPS.

Although the Gains and Losses are in the above and subsequent Sets divided *according to capital invested*, which is a common practice, and which appears to be an equitable arrangement, yet it may prove very unfair to the partner having the smaller capital. In a Joint Stock Company, where the Shareholders give no time to the business, the principle is right, as there is simply an investment of *money* on their part, but in a partnership there is the investment of *time* and *skill* as well as money. The following example will illustrate our meaning: Suppose A and B go into partnership; A is wealthy and invests \$6,000, but B, not possessing much capital, can invest only \$2,000, and they agree that Gains and Losses shall be shared according to capital invested, both giving equal time and skill to the business. They make a profit of \$3,000; according to the agreement, A will receive \$2,250 and B only \$750. Such a distribution is manifestly wrong and unjust, as it recognizes only *money* as a factor in securing the gain, whereas *time* and *skill* should also be reckoned.

The correct principle upon which to arrange a partnership where there is an unequal amount of capital invested by the partners, but an equal investment of time and skill, is to allow each partner interest, say at 8 per cent., upon his investment, or allow the partner having the larger investment, interest upon the sum he has invested in excess of the other, which amounts to the same thing, and then divide Gains and Losses equally. Were this done in the above example, A would receive only \$320 in excess of B, instead of \$1,500, the \$320 being a fair return for the use of his money, the equal distribution with the other partner of the Net Gain, after this sum for interest is deducted, being for his time and skill.

Inequality in skill or time would be adjusted by the one partner paying the other a sum to be agreed upon. At the end of the year an entry, debiting the one and crediting the other, will be made, and then Gains and Losses will be shared equally.

Another way to arrange inequality in skill or time would be to share different percentages of the Net Profit. For example, $\frac{2}{3}$ and $\frac{1}{3}$; 55% and 45%, etc. If the Net Profit of a year was \$5,500, the first distribution would give one partner \$3,300, and the other \$2,200; the second method would give \$3,025 to one partner and \$2,475 to the other.

EXAMPLE OF SINGLE ENTRY DAY-BOOK.—SET VIII.

London, March 1st, 1908.

L. F.	J. S. Miller and F. Lane this day commence the Dry Goods business, investing as below, and agreeing to share the gains and losses, according to the articles of co-partnership.				
	Miller's Investment				
57	J. S. Miller, CR. For the following investment : Cash as per Cash-Book..... Mdse. as per Inventory..... Note and Acceptance as per Bill-Book..... Balance due from J. R. Marvin.....	1500 800 1000 125		3425	
	Lane's Investment				
58	F. Lane, CR. For Investment as follows : Cash as per Cash-Book..... Mdse. as per Inventory..... Real Estate, Lot on Mountain St..... Notes as per Bill-Book..... Interest on H. Jackson's Note.....	1500 1200 700 1000 15		4415	03
	1				
120	*J. R. Marvin, DR. To Balance, favor of J. S. Miller.....			125	
	2				
41	W. McKay, CR. By Merchandise, as per Invoice No. 1.....			1800	
	"				
29	Robert Carey, DR. To 50 yds. Black Broadcloth at..... \$2.25 " 12 Fancy Neckties at..... 1.00 " 15 dozen prs. Lisle Thread Stockings at. 3.25	112 12 48	50 00 75	173	25
	3				
39	James Goodwin, DR. To 50 yds. Flannel at..... \$.60 " 25 " Broadcloth at..... 3.75 " 66 " Cassimere at..... 1.25 —CR.— By Draft at 10 days on A. Benson.....	30 93 82	00 75 50	206	25
	4			55	
- 45	H. Simmons, CR. By Merchandise, as per Invoice No. 2..... —DR.— To our Note at 60 days for.....			200	
	6			100	
29	Robert Carey, CR. By Demand Draft on W. Johnson.....			50	

NOTE.—The sale made on the 5th is entered in the Cash-Book only and the sale made on the 6th is entered in the Bill-Book only. As the goods were settled for in full at the time of purchase, no personal account is affected, and, consequently, no entry is required in the Day-Book.

*This debt of Marvin's forms part of Miller's investment, but as this is SINGLE ENTRY BOOKKEEPING you cannot debit it to Marvin from the entry in which Miller is credited with it, consequently you make a separate entry in order to debit Marvin.

Having finished the posting of this Set, according to the principles of Single Entry, you will now proceed to change the books to Double Entry, according to the instructions already given on pages 90 and 91, which are epitomized in the following :

RULE FOR CHANGING FROM SINGLE TO DOUBLE ENTRY.

*Carry the net gain or loss to Capital or the Proprietors' accounts, then open such additional accounts in the Ledger, with their respective amounts, as are necessary to make it exhibit the entire Resources and Liabilities of the business.**

TO CLOSE A SINGLE ENTRY LEDGER.

As we convert the Single Entry Ledger to Double Entry at the close of this Set, it is well that we should explain how a Single Entry Ledger, that is intended to be continued in that method, should be closed. Take an inventory of the goods on hand and make out a statement of Resources and Liabilities, the difference between which is your capital. Find the gain by subtracting the worth when you last closed the books from the present worth, allowing in your calculation for any new capital added, or any withdrawn. Credit the proprietor's account with the gain, then balance his account and bring down the balance on the credit side, which is his worth at the beginning of the new business year; then balance each personal account and bring the balance down. It will be well, in order to have it permanently on record, and easy of reference in future years, to copy the Statement of Resources and Liabilities, as well as the work of finding the gain, into the Day-Book.

SET IX.

DRY GOODS BUSINESS.

READ THESE INSTRUCTIONS CAREFULLY.

The books to be used in working this Set by Double Entry are Day-Book and Journal combined, Cash-Book, Bill-Book, and Ledger.

The eight previous Sets have been conducted upon the *Italian method*. Another way of recording transactions will now be introduced, which is more direct, and by which much unnecessary writing may be avoided. It will at first require more thought on your part than the previous Sets have done, but you are now supposed to have mastered the elementary principles of bookkeeping, and to be prepared for a higher step on the road to a thorough knowledge of accounts. The plan of doing this Set is to entirely dispense with the *Day-Book* in history form, and use instead, *Day-Book in Journal Form*, denominated the *Journal Day-Book*, in which the entries are recorded in such a manner as not only to present a complete history of the business transactions, but also to furnish debits and credits under the proper Ledger titles, ready for posting. The general rule for journalizing now becomes a general rule for determining the proper debits and credits in making original entries. In writing up your Journal Day-Book remember that *no Cash Transactions appear in it*: all entries affecting cash go in the Cash-Book and are posted direct from the C. B. to the Ledger.

The Cash-Book used in connection with Sets V. to VIII. inclusive, was only for the purpose of preserving the Cash account from error, and giving you an idea of how it should be kept; but as used in this Set it has a still more important office. *It is the exclusive and only book of original entry for Cash transactions, and these transactions are posted directly from it to the Ledger.* See form and explanation of Journal Day-Book and Cash-Book (or Cash-Journal) at the end of the Set.

*If the Capital accounts of the partners (owing to incompetent bookkeeping) had not been kept so as to show the Proprietors' investments and withdrawals accurately, all you can do now is to debit or credit the Proprietors' accounts with sums sufficient to bring them into harmony with the statement of Resources and Liabilities.

DRY GOODS BUSINESS—WHOLESALE AND RETAIL—SET IX.

NOTE.—*Before beginning the 9th Set you must have changed the Single Entry Ledger of the 8th Set to Double Entry, as fully explained on pages 90 and 91, and illustrated at pages 95 to 99; and to the converted Ledger you will post the entries of the 9th Set. But before doing this ascertain by trial balance whether the converted Ledger is in balance.*

LONDON, Ont., April 1st, 1908.—MILLER and LANE have this day changed their books from Single to Double Entry.

Bought of J. R. Marvin, on acct., Goods as per invoice, \$700. Bought of Jones & Co., on our note at 3 months, bearing interest at 9%, Mdse., as per invoice, \$2,500.

2—Sold Robert Carey, on acct., 2 pieces Scotch Tweed, 35 yds. each, at \$1.50; 4 pieces Cassimere, 30 yds. each, at \$2.

4—Bought for Cash, from D. V. Sinclair & Co., 10 pieces Factory Cotton, 60 yds. each, at 10c. Sold C. A. Langford for his note at 2 months, with interest at 10 per cent., 2 cases Prints, 1,500 yards, at 15c.; 3 cases Irish Linen, 1,280 yds., at 25c.; 1 case Scotch Tweed, 450 yds., at \$1.50; 1 case Broadcloth, 175 yds., at \$4. *Cash sales this day, \$134.75.*

6—Shipped per steamer "Alexandria" and consigned to B. Way, Picton, to be sold on our acct., 8 pieces Broadcloth, 20 yds. each, at \$4; paid cash for freight on same, \$6.50. *Cash sales, \$136.20.*

8—Sold Real Estate for \$1,250; received in payment Draft at 15 days on Thos. Davis for \$850; cash for the balance, \$400.

9—Gave W. McKay Draft at 30 days on James Goodwin for \$287.50. *Cash sales, \$195.*

10—Received from Robert Carey, Cash on acct., \$100. Sold A. Diamond, for Cheque, 4 yds. Black Broadcloth, at \$5; 3 yds. Scotch Tweed, at \$2; 1 Vest Pattern, \$5. *Cash sales this day, \$230.15.*

12—Bought of Henry & Co., 20 pieces Red Flannel, 40 yds. each, at 30c.; 10 pieces Wincey, 30 yds. each, at 25c.; gave in payment Demand Draft on H. Simmons for \$269.50 (see a Demand Draft at page 71); Cash for balance. *Cash sales, \$200.*

14—F. Lane withdrew on private account, \$150. Paid cash for Gas Bill, \$14.50; Taxes, \$45.70. *Cash sales, \$170.*

16—Received from B. Way, Picton, acct. of Sales of Mdse. shipped him 6th inst.; the Net proceeds remitted per Cheque (payable here at par*) amount to \$760.75.

17—Sold S. Edsall, on his Note at 3 months, 4 pieces Summer Tweed, 35 yds. each, at \$1.50. *Cash sales, \$180.*

18—Had S. Edsall's Note †discounted at Bank of Montreal; discount off at 7 per cent., \$——; Cash received, \$——. *Turn at once to the page (see Index) and study the subject of "Discounting Notes and Entries."* Paid Cash for a Bill of Mdse., bought at auction, \$75.20.

20—Paid cash for Clerk's Salary, \$140; for sundry repairs, \$18.50.

21—Bought for Cash from T. J. Claxton & Co., Mdse. as per invoice, \$1,200. Paid Cash for Cartage, \$1.50; Freight, \$9. *Cash sales, \$245.50.*

22—Bought of J. G. Mackenzie & Co., Mdse. as per invoice, \$800; gave in settlement our Acceptance at 3 days' sight, \$550; Cash for balance, \$250. *Cash sales, \$725.*

*Par means face value; no discount.

†This is exclusively a cash transaction, and is entered on both the Debit and Credit side of the Cash-Book. Enter the full amount of Note on the Debit side, as if the firm actually received it, and then enter the amount paid for discount on the credit side. See the Cash-Book of Set IX. If the proceeds had been left in Bank you would also make cash credit by Bank, same as for a deposit.

23—Bought of J. McKay, for Cash, Mdse., as per invoice, \$150. J. S. Miller withdrew on acct., \$200. *Cash sales this day, \$475.50.*

28—Paid Cash for our Acceptance of 22nd inst., favor J. G. Mackenzie & Co., \$——. *Cash sales, \$695.40.*

30—Bought for Cash of T. Anderson, Mdse., as per invoice, \$100. Paid Cash for Insurance, \$14.75; Cartage, \$3.20. *Cash sales, \$480.25.*

INVENTORY OF RESOURCES AND LIABILITIES NOT SHOWN ON THE LEDGER.*

RESOURCES.—*Merchandise remaining unsold, \$4,300. Interest receivable—accrued to date on Langford's Note, \$13.68.*

LIABILITY.—*Interest payable—accumulated on our Note, in favor of Jones & Co., \$17.88. Net Gain, \$2,022.70. Miller's Share \$871.61. Lane's Share, \$1,151.00.*

IMPRESS THIS ON YOUR MIND.

We would here again impress upon the student the necessity of study. There is no better test of a person's knowledge of Bookkeeping than that connected with what you have just been doing—changing books from Single to Double Entry. Here the matter is made clear and easily understood. See that you master thoroughly the *principles* involved, so that if you are called upon, in the course of your business career, to change books from Single to Double Entry, you may be able to do so intelligently, and to explain and give the reasons for what you do.

Impress this point upon your mind—that the facts you require to ascertain to open books by Double Entry, or change books from Single to Double Entry, are the Resources and Liabilities of the concern.

TO CHANGE DOUBLE ENTRY BOOKS TO SINGLE ENTRY.

Discontinue in the Ledger all accounts but those with individuals, but continue the use of the auxiliary books, such as the Cash-Book, Bill-Book, etc.

JOURNAL DAY-BOOK—SET IX.

You are requested to observe particularly the following form, that you may be able to express, in this manner, any conceivable transaction, combining all the essential points of the separate Day-Book and Journal. Very few **large** business houses adopt the old method of first entering transactions in a historical Day-Book, and Journalizing therefrom. Where more practical forms, for the purpose of condensation, are not in use, the Journal Day-Book meets with great favour, as being both plain and practical.

*There is a marked peculiarity in the Inventory, viz.: the showing of a Liability as a necessary part of the Inventory. Another peculiarity growing out of this presentment of facts is the debiting of Interest account with the Liability of Interest, as well as crediting it with the Resource of Interest, before closing the account.

In writing up this book, make your Journal entry first, from the record of transactions; then write the explanation immediately under it in a smaller hand, as is illustrated in the following :—

FORM OF JOURNAL DAY-BOOK.

London, Ont., April 1st, 1908.

Mdse. Dr.	700		
To J. R. Marvin, Bought on acct. Goods as per invoice.		700	
Mdse. Dr.	2500		
To Bills Payable, Bought of Jones & Co., on our Note, (B. P. No. —), with interest at 9 per cent., Mdse. as per invoice.		2500	
Robert Carey Dr.	345		
To Mdse., Sold him on acct. as follows : 2 pcs. Scotch Tweed, 70 yds., at \$1.50, \$105.00 4 " Cassimere, 120 yds., at 2.00, 240.00		345	
Bills Receivable Dr.	1920		
To Mdse., Sold C. A. Langford, for his Note at 4 months, with interest at 5 per cent. : (B. R. No. —). 2 cases Prints, 1500 yds., at \$0.15, \$225.00 3 cases Irish Linen, 1280 yds., at 0.25, 320.00 1 case Scotch Tweed, 450 yds., at 1.50, 675.00 1 case Broadcloth, 175 yds., at 4.00, 700.00		1920	
Shipment to B. Way, No. 1 Dr.*	640		
To Mdse., Shipped to B. Way, Picton, per steamer "Alexandria," to be sold on our acct. : 8 pcs. Broadcloth, 160 yds., at \$4. Paid freight on same as per C. B.		640	
Bills Receivable Dr.	850		
To Real Estate, Sold Lot on Mountain Street for \$1250. Received B. R. No — and Cash as per C. B. for Balance.		850	
W. McKay Dr.	287	50	
To James Goodwin, Gave McKay a Draft at 30 days on J. Goodwin, for above amount.		287	50
	7242	50	7242 50

NOTE.—Transactions not connected with Cash are to be entered only in the Journal Day-Book, and exclusive Cash transactions, such as the purchase of Cotton on the 4th, only in the Cash-Book.

*The payment of freight is mentioned in the Journal in giving the particulars of this shipment, but the entry proper for the cash paid is made in the Cash-Book only.

CASH BOOK.

(With one special column on each side—See Form on Pages 110 and 111.)

The Cash Book is the most important of all the auxiliary books, for the Cash account is found to be the most difficult to keep correctly of the whole list of accounts, because Cash is the basis of all trade, and is constantly passing out for purchases, expenses, etc., and coming in for debts and sales.

In business, the Cash Book is often balanced every night. We could not, in a work like this, introduce a sufficient number of entries to carry out this plan; we have therefore left the Cash-Book open until the end of the month; but EACH EVENING the cashier should, on a piece of paper, add each side, subtract the sum of the Cr. side from the sum of the Dr. side and ascertain by counting the money whether the balance agrees with the cash in the till.

As the Cash-Book in this Set *is the book of original entry* for all the cash transactions, great care is necessary in making the entries.

They should be made in such a manner that any person may be able to determine at any time what account was intended to be debited or credited for the money paid or received. For this purpose accountants adopt the following plan:

When money is received, write on the Dr. side the *name* of the account to be credited for it, next to the folio or date column, and the words of explanation on the same line, a little to the right. When money is paid write on the Cr. side the *name* of the account to be debited for it, next to the folio or date column, and the words of explanation on the same line, a little to the right.

The Ledger titles should be kept *in a perpendicular column, separated by a slight space from the words of the explanation*. It adds greatly to the appearance of the book to begin the words of explanation all on a perpendicular line, made by a light pencil mark, writing them one-half smaller than the Ledger titles. If one line will not suffice to give a *full explanation* use two lines, or as many as are required.

Post to the Ledger from the Cash-Book and Journal Day-Book together, in the order of the dates of the transactions.

The example given on the next two pages is a very convenient form of Cash-Book to be kept in connection with a general merchandise business. The *special columns* may be extended, if desirable, as is shown in the Cash-Book of Set XI. Refer to it now. Special columns are used for the accounts for which money is frequently received or paid. They save the labor of posting items singly to the Ledger. The total of each special column is posted usually at the end of each month.

It will be seen that all Cash Entries, debit and credit, are posted *directly to the Ledger from this book*. The Cash Sales, entered in total each day, are ascertained from the record of the slips sent to the office by the sales people with each sale made for cash.

Should the Cash transactions of a month extend over several pages, the footings of the columns are brought forward to the end of the month, and are then posted in total. The check marks in the column following dates are made to indicate that the amounts opposite, in the "Mdse." column, are *not to be posted singly*, and the figures in this column are the pages of the accounts in the Ledger to which the amounts in the "Sundries" column opposite have been posted. The method of posting from the Cash-Book is easily understood.

The amounts in the "Sundries" column on the Dr. side are posted to the *credit* of their respective accounts—the page of the Ledger being indicated in the folio column; and the amounts in the "Sundries" column on the Cr. side, are posted to the *debit* of their respective accounts—the page of the Ledger being indicated in the folio column. The footing of the "Mdse." column on the Dr. side is posted at the end of the month to the *credit* of Merchandise account, and the total footing of the "Mdse." column on the Cr. side to the *debit* of Merchandise account. The Cash received, or amount of the Dr. side of the Cash-Book, is then posted to the *debit* of Cash account in the Ledger, and the total footing of the Cr. side, or Cash disbursed, to the *credit* of Cash account in the Ledger.

As the *debit* side of the Cash-Book contains the *credits* of all accounts producing Cash, and the *credit* side the *debits* of all accounts costing Cash, it will be seen that when the above posting is completed a Double Entry is effected.

IMPREST SYSTEM FOR PETTY CASH.

Explanations, with illustrations, of the method of keeping a record of Petty Cash by the Imprest System will be found further on. See Index.

CASH BOOK.

Dr.

CASH.

1908				Mdse. Sales.		Sundries.	
Apr	L. F.						
1	✓		Balance from last month, \$3014.77				
4	✓	To Merchandise,	Sales this day.....	134	75		
6	✓	" Merchandise,	" " "	136	20		
8	24	" Real Estate,	Lot, Mountain Street, D. B.			400	
9	✓	" Merchandise,	Sales this day.....	195			
10	25	" Robert Carey,	On Account.....			100	
10	✓	" Merchandise,	A. Diamond's Cheque	31			
10	✓	" Merchandise,	Sales this day.....	230	15		
12	✓	" Merchandise,	" " "	200			
14	✓	" Merchandise,	" " "	170			
16	26	" Ship't to Way No. 1,	Net Proceeds, per Cheque.....			760	75
17	✓	" Merchandise,	Sales this day.....	180			
18	24	" Bills Receivable,	Edsall's Note B. R. No.— dis'd ..			210	
21	✓	" Merchandise,	Sales this day.....	245	50		
22	✓	" Merchandise.	" " "	725			
23	✓	" Merchandise,	" " "	475	50		
26	✓	" Merchandise,	" " "	695	40		
30	✓	" Merchandise,	" " "	480	25		
21		Total to Cr. of Merchandise.....		3898	75	*3898	75
20		Total to debit of Cash.....				5369	50
		Balance from last month.....				3014	77
						8384	27

*Red Ink.

NOTE.—The balance from the last month, it will be observed, has not been extended to the money columns, because it is already entered in the Ledger; if extended it would be added with the total receipts, and posted a second time. It is necessary, however, to add the Cash in hand from last month with the receipts during this month at the bottom, in order to obtain the proper balance. When you require to continue the Cash-Book, after it has been closed, bring down the balance on the Dr. side, without extending the amount in the money columns, and continue the entries the same as above.

NOTE.—Many Bookkeepers do not keep a Cash account in the Ledger, nor is it necessary, because the Cash-Book (kept as above), shows constantly the condition of Cash.

SET IX.

CONTRA.

Cr.

1908		Mdse. Purchases		Sundries.	
Apr	L. F.				
4	✓	By Merchandise,	Inv. of cotton, D. V. Sinclair & Co.	60	
6	26	" Shp't to Way No. 1,	Freight on same.....		6 50
12	✓	" Merchandise,	Invoice of Henry & Co.....	45 50	
14	24	" F. Lane,	Withdrew on account.....		150
"	24	" Expense,	Gas Bill, \$14.50; Taxes, \$45.70..		60 20
18	26	" Discount,	On S. Edsall's Note B. R. No.—..		3 75
"	✓	" Merchandise,	Bought at auction.....	75 20	
20	24	" Expense,	Wages, \$140; Books, \$18.50		158 50
21	✓	" Merchandise,	T. J. Claxton & Co.'s Invoice	1200	
"	24	" Expense,	Cartage, \$1.50; Repairing, \$9		10 50
22	✓	" Merchandise,	Inv. J. G. Mackenzie & Co., D. B.	250	
23	✓	" Merchandise,	Invoice J. McKay.....	150	
"	25	" J. S. Miller,	Withdrew on account.....		200
28	25	" Bills Payable,	Acceptance favor J. G. M. & Co., B. P. No.—.....		550
30	✓	" Merchandise,	T. Anderson's Invoice.....	100	
"	24	" Expense,	Insur., \$14.75; Cartage, \$3.20		17 95
21		Total to debit of Merchandise.....		1880 70	*1880 70
20		Total to credit of Cash.....			3038 10
		BALANCE*.....			*5346 17
					8384 27

*Red Ink.

NOTE.—In making entries in your Cash-Book, always observe the above style of arrangement and NEVER ENTER THE TITLE CASH anywhere in this book, except in the heading at the beginning of the page; for you enter nothing in this book but Cash. It is unnecessary to use the words "received" and "paid" in explaining an entry, as nothing is entered on the debit side of this account except Cash received, and nothing but Cash paid out on the credit side.

In balancing the Cash-Book, always rule that side first upon which appears the greater number of entries, and have the final footings of the two sides directly opposite one another.

When long explanations have to be given in a Cash-Book, it may be desirable to put the name of the acct. on one line and the explanation on the line or lines (if more than one explanatory line is required) below.

PUTTING CHEQUES THROUGH THE CASH-BOOK.

*Whether Cheques shall be journalized, or put through the Cash-Book (when the latter is kept as in this and subsequent Sets), is simply a matter of convenience. Either way is right and has precisely the same effect. Adopt which you deem best for the business in which you may be engaged.

When putting a Cheque through the C. B., first make Cash Dr. to Bank for Cheque No.—, just as though you had received the amount; then make Cash Cr. by the individual or the account for which you pay the Cheque, giving the usual explanation. The Municipal Set treats Cheques in this way, but we deem it well to give here an

EXAMPLE.

You give a Cheque on the Bank of Montreal to retire your note for \$520.00 and interest accumulated \$12.00; the following would be the entries:

Dr.				—CASH—				—CONTRA—				Cr.			
Oct. 29	To Bank.	For Cheque						Oct. 29	By Bills Payable.	Retired B. P.					
		No. 132,	\$532.00						No. 81 by cheque 132.		\$520.00				
									" Interest. For Int. on above.		12.00				

QUESTIONS FOR REVIEW.—CHAPTER V.

What do you understand by the term "Consignor"? What by "Consignee"? What is "Shipment" as a Ledger title? When is "Shipment" made Dr.? With what is it credited? When is it closed "To" or "By" Loss and Gain? When *By Balance Inventory*? What is "Consignment" as a Ledger title? With what is it debited? With what credited? How is it closed? When "Shipment" is used as a Ledger title, what should it have attached? When "Consignment" is used as a Ledger title, what should it have attached? For what is a Cash Book used? When money is received, how is it entered in the Cash Book? When money is paid out, how entered? How can the balance in hand be found at any time? With what must this agree? Can the Cr. column of the Cash Account be the greater? How often should the Cash Book be balanced? How is this done? What Accounts are kept in Single Entry? What are the principal books of entry? What other books are introduced, and why? From what book do you post in Single Entry? How is the Net Worth found when books are kept by Single Entry? How is the Gain or Loss found when books are kept by Single Entry? Why should Double Entry be preferred? How do you convert Single Entry to Double Entry? How do you close a Single Entry Ledger? In a partnership business there may be unequal capital invested by the partners; what is the best arrangement to make? There may be unequal time or skill; what is the best arrangement to make? What method has been observed in the preceding eight Sets? What books are now dispensed with? What book is used instead? Which is the most important of all the auxiliary books? In general business how often should the Cash-Book be balanced? How are cheques put through the C.B.?

*Cheques need neither be journalized nor put through the Cash-Book. They may be posted direct to the Ledger from the stubs. Charge each cheque from the stub to the account in the Ledger for which it was issued, ("To Bank, Cheque No. 1193") and at once indicate the posting by placing the ledger folio in red, ink, or colored pencil diagonally across the stub. Weekly or monthly ascertain the total sum of the cheques issued and credit the Bank account with the amount ("By Cheques from 1121 to 1183").

THE
CANADIAN ACCOUNTANT

PART II.

CONTAINING THE

Most Practical Forms of Keeping Accounts,

Adapted to the Various Departments of Business,

— INCLUDING —

COMPLETE SETS OF BOOKS,

— IN —

WHOLESALE AND RETAIL MERCHANDISING, MANUFACTURING, STEAMBOATING,
MUNICIPAL BOOKKEEPING, SETTLEMENT OF ESTATES, WAREHOUSING,
FARM ACCOUNTS, BOOKKEEPING FOR PUBLIC INSTITUTIONS AND
CHURCHES, PRACTICAL COUNTING-HOUSE WORK, CHAP-
TERS ON BANKING, JOINT STOCK COMPANIES AND
GENERAL COMMERCIAL KNOWLEDGE.

TO THE STUDENT.

You have now been presented with nine Sets of Books, eight by Double Entry and one by Single Entry, representing the carrying on of different kinds of business, some of which have been prosperously pursued and others attended with misfortune. The exercises already passed over are considered sufficient to illustrate the opening and closing of books, both individual and partnership, under the various conditions of net gain and net loss, solvency and insolvency.

A thorough understanding of the preceding Sets will ground you thoroughly *in the principles of the science of bookkeeping*. We will next present you with some of the most modern methods and practical forms of keeping accounts, such as are now in use in counting-houses in the various branches of business.

BUSINESS STATEMENTS.

There are many forms of Business Statements now in use, each possessing some peculiar merit, and all having the same general purpose in view, viz.: that of exhibiting the present financial condition of the business and the financial result for a given period. The forms hitherto used in this work, Part I., are both simple and comprehensive, and would probably be preferred by one not an expert in bookkeeping, as they are easily understood; but it is necessary that you should understand different modes and comprehensive methods of making out Business Statements. We know of no form that compasses so much within such limited space as that given on the following page. We require you to make out a similar **BALANCE SHEET** from each of the following Sets.

A Trial Balance taken with Dr. and Cr. footings, similar to the following, will exhibit the condition of the accounts in the Ledger. From these, together with the inventories, you will make out a Balance Sheet.

L. F.	ACCOUNTS.	DR.		CR.	
		Footings.		Footings.	
12	Capital.....			8000	50
12	Cash.....	6850	50	2725	15
13	Flour.....	5080		2810	
14	Wheat.....	2420		1630	
14	N. W. Phillips.....	710		50	
15	Robert Brown.....	930		1000	
16	Bills Payable.....	1280		1380	
17	Bills Receivable.....	620	15	450	
18	Expense.....	155			
	Inventory:—Flour, \$3360. Wheat, 1050.	18045	65	18045	65

The following Form taken from the foregoing Trial Balance will illustrate the process of making out a BALANCE SHEET. *An example of a Balance Sheet for a partnership business* will be found among answers to Examination Questions. The advantage of this form of Balance Sheet is, that the analyses which determine to what column an item shall be carried, i.e., a loss or gain, a resource or liability, can be verified at once by reference to the Trial Balance of the accounts taken from the Ledger.

* _____ BALANCE SHEET.

Taken	L. F.	TRIAL BALANCE.		Inventory.	REPRESENTATIVE.		CAPITAL.		REAL.	
		DR.	CR.		LOSSES.	GAINS.	DR.	CR.	Resources.	Liabilities.
Capital.....	24		8000 50					8000 50	4125 35	
Cash.....	24	6850 50	2725 15						3360	
Flour.....	25	5080	2810	3360		1000			1050	
Wheat.....	25	2420	1630	1050		260			660	
N. W. Philips.....	25	710	50							70
Robert Brown.....	25	930	1000							100
Bills Payable.....	26	1280	1380							
Bills Receivable.....	26	620	450						170	
Expense.....	26	155	15		155 15					
		18045 65	18045 65	4410						
					†Net Gain for the year,		†1194 85			
					1350 00	1350 00				
					‡Net Capital to-day,		49195 35		49195 35	
					9195 35	9195 35			9365 35	9365 35

NOTE.—Should there be a large number of personal accounts, it would not be possible to include them all SEPARATELY in this Form. In such cases it is customary to make a separate list of them, and employ in the Balance Sheet the two general titles, "Accounts Receivable" and "Accounts Payable," the one embracing *balances* owing to us on personal accounts, and the other *balances* owing by us on personal accounts. Should have two columns as Capital has above. The balances brought down in a Ledger at closing, when the Ledger is to be continued in use, should correspond with the Resources and Liabilities columns in the Balance Sheet. See that they do before you post any entries for the new year.

†Proprietor's name. ‡Red Ink.

§§ See pages 94 and 95, and read the description of a Balance Sheet given there

SHIPMENT CO.'S AND MERCHANDISE CO.'S.

"Shipment Company" is a term used to represent your interest in merchandise or other property shipped by you to be sold on joint account and risk of yourself and other parties; or it may represent your interest where you receive intelligence that other parties have shipped to a third party and that you are to share in the venture. The Shipment Co. Account is made Dr. for your proportion of the cost value of the goods and of the expenses incurred when the Shipment is made, and at the same time the parties interested with you are debited for their proportion. The Account is credited with net proceeds, and closes To or By Loss and Gain.

Should you have to close the Ledger before an account of sales has been received, credit Shipment Company "By Balance Inventory" for the amount it cost you.

The name, "Merchandise Company" is a Ledger title given to goods received by you to be sold on joint account and risk. It is made Dr. to the consignor when received for your proportion of the cost value of the goods and of the expenses incurred when the Shipment was made as per invoice, and is also debited for charges incurred by you in connection with it, until it is disposed of.

In selling goods that have been received to sell on joint account, Cr. Merchandise Company for all sales.

In making the closing journal entry (See No. 4 below) for a Merchandise Company that has been sold, it is made Dr. to Commission Account for your commission for making the sales, to Charges Account for items incurred for storage, insurance, handling, etc., to the shipper or shippers for their net proceeds, or to Bills Payable, Cash or Bank if you settle the proceeds when the Account Sales is rendered and to Loss and Gain for your gain; if a losing operation, Loss and Gain is made Dr. for your loss. Should the goods, at the time of closing the Ledger at the end of the year, be but partially sold, then Merchandise Company should be Cr. in the Ledger "By Balance Inventory," only for your share of the Merchandise remaining on hand, the remainder belonging to the shipper or shippers.

The exercises following show the application of the foregoing principles.

EXERCISES ON JOURNALIZING SHIPMENT CO.'S AND MERCHANDISE CO.'S.

<i>Transactions.</i>	<i>Journalized.</i>
1—Jones ships Brown, to be sold on joint acct. and risk, Mdse., valued at \$1,200; and pays cash for Insurance on same, \$40.	1—Shipment Co. "A" Dr. \$ 620 Brown..... Dr. 620 To Mdse.*..... \$1200.00 " Cash..... 40.00
2—Brown, on receipt of the goods, pays cash for freight and other charges, amounting to \$70.50.	2—Mdse. Co. "A" Dr.... 690.50 To Jones..... 620.00 " Cash..... 70.50
3—Brown sells the goods for \$1,450. Receives in payment a Cheque for \$500, Cash \$500, and a Note for the balance.	3—Cash.....Dr. 1000 Bills Receivable... " 450 To Mdse. Co. "A". 1450.00
4—Brown renders an Account of Sales; his charges are as follows: Drayage, \$4.50; Storage, \$5; Cooperage, \$6.50; Commission, 3 per cent.	4—Mdse. Co. "A"....Dr. 759.50 To Charges..... 16.00 " Commission.... 43.50 " Jones..... 660.00 " Loss and Gain . 40.00

*The credit to Merchandise when goods are sent on consignment should always be at the cost price. See Index, "Merchandise sent on Consignment," further on.

The following forms explain the manner of closing the Mdse. Co.:

Total sales.....	\$1450
Charges already posted	\$ 70.50
" not posted.....	16.00
Commission.....	43.50 130
Total net proceeds.....	\$1320
Brown's one-half.....	660.00
Cost of " ".....	620.00
Brown's gain	\$ 40.00

5—Jones' entry on receipt of above Account of Sales.

6—Brown's entry on remitting amount to balance Jones' acct. per Cheque.

7—Jones' entry on receipt of above remittance.

In closing a Mdse. Co. and making the Account Sales entry, first find what all the sales amount to, then total charges (not including cost), and by deducting the total charges from the total sales you obtain the whole net proceeds. The individual net proceeds are found by dividing the total net proceeds by the number of parties interested. Your gain or loss is found by taking the difference between your proceeds and the amount which you credited to the shipper when you received the goods, that being your share of the cost.

5—Brown.....Dr. \$ 660
 To Shipment Co. "A"..... \$ 660.00

6—Jones.....Dr. 1280
 To Bank..... 1280.00

7—Cash.....Dr. 1280
 To Brown..... 1280.00

FOLLOWING ARE THE LEDGER ENTRIES POSTED FROM THE ABOVE JOURNAL ENTRIES, ILLUSTRATING THE CONSIGNOR'S ACCOUNTS WITH SHIPMENT CO. "A," AND WITH BROWN, TO WHOM HE SHIPPED THE GOODS.

DR.				SHIPMENT CO. "A."				CR.			
				To Mdse.....	600	00				By Brown.....	660 00
				" Cash.....	20	00					
				" Loss and Gain...	40	00					
					660	00					660 00

BROWN.

				To Mdse.....	600	00				By Cash.....	1280 00
				" Cash.....	20	00					
				" Ship't Co. "A"...	660	00					
					1280	00					1280 00

Following are the Ledger entries, posted from the above Journal entries, illustrating the Consignee's accounts with Merchandise Co. "A," and with Jones, from whom he received the goods.

DR.				MDSE. CO. "A."				CR.			
				To Jones.....	620	00				By Cash.....	1000 00
				" Cash.....	70	50				" Bills Rec.....	450 00
				" Charges	16	00					
				" Commission.....	43	50					
				" Jones.....	660	00					
				" Loss and Gain...	40	00					
					1450	00					1450 00

JONES.

				To Bank.....	1280	00				By Mdse. Co. "A"...	620 00
					1280	00				" Mdse. Co. "A"...	660 00
											1280 00

SET X.

(*The transactions corresponding with Sets VIII. and IX.*)

INCLUDING PRACTICAL FORM OF DAY-BOOK AND JOURNAL
COMBINED, AND ILLUSTRATING THE DISTINCTION
BETWEEN SINGLE AND DOUBLE ENTRY.

The transactions comprising this Set are the same as those in Sets VIII. and IX., and are selected for the purpose of illustrating the difference between SINGLE and DOUBLE ENTRY. A careful study and comparison of the two Sets in their similar and dissimilar points will open to the mind of the student a clearer distinction between the two methods of keeping accounts than could be effected by any other form of reasoning.

In performing the work of this Set you are required to introduce the

SIX COLUMN JOURNAL.

The principal feature of this book, that of affording special columns for the accounts most used, may be carried to any desirable extent; in some business houses as many as *eight* special debit and credit columns are used.

Its advantages may be briefly stated as follows:

1st.—A vast saving of time and space in posting.

2nd.—Embracing the principles of *four* books in *one*, viz.: Cash-Book, Invoice-Book, Sales-Book and Journal-Day-Book.

3rd.—Showing monthly totals of the principal accounts in the Ledger, for the purpose of comparison year after year.

4th.—Affording an opportunity to post to personal accounts immediately, the debits and credits appearing separately in the "Sundries" column.

This book is called the SIX COLUMN JOURNAL, because it is ruled with six columns, three debits on the left and three credits on the right. In making an entry, the same form of expression is used as upon the Journal Day-Book of last Set. In entering a sale, extend the particulars first, like Carey's and Goodwin's entries in the form.

The method of posting from this Journal is very simple. The separate items in the "Sundries" column are posted in the same way as from the common Journal, while the amounts of the "Cash" and "Mdse." columns are posted in totals *at the close of each month*. Every time these accounts are posted, it makes a period in the amounts brought forward on the Journal, and the new period commences with empty columns.

Before commencing this set, observe closely the form of Six Column Journal given at pages 124 and 125, as an understanding of it, at the beginning, will greatly facilitate your progress.

DRY GOODS BUSINESS.

SET X.

TWO PARTNERS.

LONDON, Ont., March 1st, 1908.—J. S. MILLER and F. LANE this day commence the Dry Goods business at No. 114 St. James St., agreeing to share Gains and Losses, according to capital invested.*

J. S. MILLER invests:

Cash, \$1,500; Merchandise, \$800; Note for \$600 favor J. S. M., made by Thomas Gibbard, dated January 31st, at 30 days; an accepted Draft for \$400 drawn by J. Jones on D. Roblin, dated January 20th, at 90 days; balance due from J. R. Marvin, \$125. *Total Investment, \$3,425.*

F. LANE invests:

Cash, \$1,500; Merchandise, \$1,200; Real Estate, \$700, lot on Mountain St.; Note against S. Fowler, dated January 25th, at 60 days, for \$200; Note against H. Jackson, dated Nov. 23rd, 1907, at 6 months, with interest at 7 per cent., for \$800; interest accrued on above note to date, 98 days, \$15.03. *Total Investment, \$4,415.03.*

2—Bought of W. McKay, on account, Merchandise, as per invoice amounting to \$1,800. Sold Robert Carey, on acct., 50 yds. Black Broadcloth, at \$2 25; 12 Fancy Neckties, at \$1 each; 15 doz. pairs Lisle Thread Stockings, at \$3.25 per doz.

3—Sold James Goodwin, 50 yds. Flannel, at 60c.; 25 yds. Broadcloth, at \$3.75; 66 yds. Cassimere, at \$1.25; received his Draft at 10 days' sight on A. Benson, which Benson accepted to-day, for \$55; the balance to remain on acct.

4—Bought of H. Simmons, Mdse. as per invoice, \$200; gave our Note at 60 days, \$100; the balance to remain on acct.

5—Sold W. Harding, for Cash, 2 pieces Irish Linen, 66 yds. each, at 85c.; 35 yds. Broadcloth, at \$2.50.

6—Sold W. Williams, for Note at 30 days, 2 pieces Blue Broadcloth, 45 yds. each, at \$1.75; 90 yds. French Merino, at 60c. Received from Robert Carey his Demand Draft on W. Johnson for \$50.

8—Sold James Goodwin, on acct., 90 yds. Scotch Tweed, at \$1.25; 45 do. Red Flannel, at 55c. Bought of W. Harding for our Note at 20 days, 5 pieces English Prints, 40 yds. each, at 25c. Sold Richard Manning, for his Acceptance at 10 days, 10 yds. Blue Serge, at \$2.25; 15 yds. Mixed Tweed, at \$1.50.

9—Received from James Goodwin his Demand Draft on John James for \$85. Bought of Richard Watson, for Cash, Merchandise as per invoice, \$200.

NOTE.—The names of Ledger accounts for this Set, and the number of lines to be left for each, will be found on page 122.

*Read again "Distribution of Gains and Losses in Partnership" at page 102.

- 11—Sold Henry Simmons, 24 yds. Brown Beaver, at \$3.25; received Cash, \$40, balance to remain on acct. Bought of Wm. McKay, Merchandise as per invoice, \$500; gave in payment Cash, \$350; balance to remain on acct.
- 12—Sold Robert Carey, on acct., 55 yds. Blue Broadcloth, at \$1.75. Received from James Goodwin, on acct., Cash, \$50; Cheque on Bank of Montreal, \$30.
- 13—Paid Wm. McKay, Cash, \$1,200. Sold John Johnson for his Demand Draft on J. Wilson, 15 pairs Pants, at \$3.75. Sold Robt. Carey on acct., 30 Vests, at \$2.25; 12 Ready-made Coats, at \$5.50.
- 15—Sold H. Simmons, on acct., 9 fine Overcoats, at \$16. Sold John Cummings, for his Note at 20 days, 12 complete Band Uniforms, at \$15.
- 16—Bought of A. Vermilyea, for our Note at 30 days, Mdse. as per invoice, \$175. Received Cash for James Goodwin's Draft of the 3rd inst. Paid our Note of the 4th inst., favor of H. Simmons, less discount at 6 per cent., for unexpired time.
- 17—Received from Robert Carey, Cash, \$100. Sold James Goodwin, on acct., 50 Summer Coats, at \$2.50. Bought of W. McKay, on 3 months' credit, Mdse., as per invoice, \$275.
- 18—Received Cash in full for T. Gibbard's Note of Jan. 31st, with interest at 6 per cent., for time overdue, 13 days. Received Cash from H. Simmons, \$40.
- 20—Sold W. Manning, for Cheque on Merchants Bank, 10 Military Coats, at \$11; 10 pairs Pants, at \$6. Sold Robert Carey, on acct., 5 doz. Byron Collars, at \$2 per doz.; 4 doz. Cravats at \$3 per doz. Received from James Goodwin, Cheque on Bank of Montreal for \$155.
- 21—Sold H. Simmons, on acct., 40 yds. Black Serge, at \$1.80; 10 yds. Black Beaver, at \$3.75. Received Cash for R. Manning's Acceptance of the 8th inst. Sold W. West for his Draft at 10 days' date on R. Bass, 50 yds. French Cassimere, at \$3. Bought of W. McKay, on acct., Mdse. as per bill, amounting to \$95.
- 23—Sold Robt. Carey, on acct., 10 Summer Coats, at \$2.50; 40 yds. Red Flannel, at 55c.
- 24—Gave W. McKay our Draft at 10 days' sight, on James Goodwin, for \$100. Sold H. Simmons, on acct., 10 yards Broadcloth, at \$2.25; 6 doz. French Yoke Shirts at \$18 per doz. Bought for Cash from Gault Bros. Co., Limited, Mdse. as per bill, amounting to \$300. Sold James Goodwin, on acct., 10 doz. Undershirts, at \$7 per dozen; 8 dozen pairs Knit Drawers, at \$8 per doz.
- 25—Paid W. McKay's Demand Draft on us, favor W. Barnes, for \$500. Received from Robert Carey, Demand Draft on James Goodwin for \$125.
- 26—Sold H. Simmons, on acct., 1 piece French Cassimere, 50 yds., at \$1.25. Had H. Jackson's Note of Nov. 23rd, 1907, discounted at Merchants Bank; face of Note, \$800; interest, less discount at 7 per cent., for unexpired time, 61 days, \$18.54; Cash received, \$818.54*.
- 28—Sold James Goodwin 15 complete Uniforms, at \$14; received in part payment Demand Draft on Bank of Montreal, \$50; balance to remain on acct.

*It is the custom of Banks, when a note bearing interest is discounted, to compute the interest for the full time on the face of the note, and add it to the principal, then discount the amount. In this case Jackson's note bears interest at 7 per cent. for 134 days, and will amount, when paid, to \$828.23. The discount on this amount for the 61 days the note has to run before it becomes due, at 7 per cent. is \$9.69, and this, deducted from \$828.23, leaves \$818.54, the net proceeds received from the Bank. See Discount.

29—Gave W. McKay our Demand Draft on H. Simmons for \$75. Bought for Cash, Mdse., from Deacon Bros., Belleville, Ont., as per bill, amounting to \$400. Received Cash in full for S. Fowler's Note, January 25th. Paid Cash for Gas Bill, \$20; Wood, \$15; Rent, \$50.

30—Received Cash for D. Roblin's Draft of January 20th, less discount for unexpired time at 7 per cent. Paid Shop hands Cash in full for services to date, \$120.

At this date you will post to the Ledger and take off a Combined Statement WITHOUT BALANCING OR CLOSING ANY OF THE LEDGER ACCOUNTS. The inventories are the same as those of Set VIII. Read now the foot note of page 100.

APRIL 1st.—Bought of J. R. Marvin, on acct., Goods as per invoice, \$700. Bought of Jones & Co., on our Note at 3 months, bearing interest at 9 per cent., Mdse. as per invoice, \$2,500.

2—Sold Robert Carey, on acct., 2 pieces Scotch Tweed, 35 yds. each, at \$1.50; 4 pieces Cassimere, 30 yds. each, at \$2.

4—Bought for Cash from D. V. Sinclair & Co., 10 pieces Factory Cotton, 60 yds. each, at 10c. Sold C. A. Langford, for his Note at 2 months, bearing interest at 10 per cent., 2 cases Prints, 1,500 yds., at 15c.; 3 cases Irish Linen, 1,280 yds., at 25c.; 1 case Scotch Tweed, 450 yds., at \$1.50; 1 case Broadcloth, 175 yds., at \$4. *Cash sales this day, \$134.75.*

6—Shipped per steamer "Alexandria," and consigned to B. Way, Picton, to be sold on our acct., 8 pieces Broadcloth, 20 yds. each, at \$4; paid freight on same, \$6.50. *Cash sales, \$136.20.*

8—Sold Real Estate for \$1,250; received in payment Draft at 15 days on Thomas Davis for \$850; Cash for balance, \$400.

9—Gave W. McKay Draft at 30 days on James Goodwin for \$287.50. *Cash sales, \$195.*

10—Received from Robert Carey, Cash on acct., \$100. Sold A. Diamond, for Cheque, 4 yds. Black Broadcloth, at \$5; 3 yds. Scotch Tweed, at \$2; 1 Vest Pattern, \$5. *Cash sales this day, \$230.15.*

12—Bought of Henry & Co., 20 pieces Red Flannel, 40 yds. each, at 30c.; 10 pieces Wincey, 30 yds. each, at 25c.; gave in payment Demand Draft on H. Simmons for \$269.50; Cash for balance. *Cash sales, \$200.*

14—F. Lane withdrew on private account, \$150. Paid Gas Bill, \$14.50; Taxes, \$45.70. *Cash sales, \$170.*

16—Received from B. Way, Picton, Account of Sales of Mdse. shipped him the 6th inst., the net proceeds received per Cheque (payable here at par), amounting to \$760.75.

17—Sold S. Edsall on his Note at 3 months, 4 pieces Summer Tweed, 35 yards each, at \$1.50. *Cash sales, \$180.*

18—Had S. Edsall's Note discounted at Bank of Montreal; discount off at 7 per cent. \$—; Cash received, \$— . Paid Cash for a bill of Mdse. bought at auction, \$75.20.

20—Paid Clerk's salary, \$140; for Sundry Repairs, \$18.50.

21—Bought for Cash, from T. J. Claxton & Co., Mdse., as per invoice, \$1,200. Paid for Cartage, \$1.50; Freight, \$9. *Cash sales, \$245.50.*

22—Bought of J. G. Mackenzie & Co., Mdse., as per invoice, \$800; gave in settlement our Acceptance at 3 days' sight, \$550; Cash for balance, \$250. *Cash sales, \$725.*

23—Bought of J. McKay, for Cash, Mdse., as per invoice \$150. J. S. Miller withdrew on account, \$200. *Cash sales this day, \$475.50.*

28—Paid Cash for our Acceptance of 22nd inst., favor of J. G. Mackenzie & Co., \$——.
Cash sales, \$695.40.

30—Bought for Cash, of T. Anderson, Mdse., as per invoice, \$100. Paid for Insurance, \$14.75. Cartage, \$3.20. *Cash sales, \$480.25.*

Make out a Balance Sheet at the end of this Set, after the Form on page 115. RULE 11
 FOR TWO PARTNERS.

RESOURCES AND LIABILITIES NOT SHOWN ON THE LEDGER.

RESOURCES.—*Merchandise remaining unsold, \$4,300. Interest receivable—accrued to date on Langford's Note, \$13.68.*

LIABILITY.—*Interest Payable—accumulated on our Note, favor Jones & Co., \$17.88.*
Net Gain, \$2,447.94.

The following are the Ledger Headings for Set X., and the number of lines required for each account:

J. S. Miller, 8; F. Lane, 8; Cash, 9; Merchandise, 10; Bills Receivable, 17; Bills Payable, 12; J. R. Marvin, 7; Real Estate, 8; Interest, 10; W. McKay, 10; Robert Carey, 12; James Goodwin, 10; Shipment to B. Way, 8; H. Simmons, 10; Expense, 12; Loss and Gain, 10; Balance, 12.

INVENTORY (OR STOCK) BOOK.

TAKING STOCK.

When taking an Inventory of Stock, it should be done methodically, and with the utmost care as to quantities and values. There should be a Separate Stock Book for each year. Ordinary Journal paper, to the extent required, bound into limp covers, is the form usually adopted.

The necessary preliminary preparation of accurate measuring, counting and ticketing having been done, each department or assortment of goods will be taken in turn. The salesmen familiar with the department will, classifying as they go along, call out the kinds, quantities and prices of goods to the man entering in the Stock Book, who will call back each entry as he proceeds. When the entering has been done (which will be continuous until completed in a few hours or a day), the calculations will be extended and the additions made, and both will be verified by checking over. If a sale is made from a piece of goods or a package ticketed with the quantity it contains before it is entered in the stock list, just change the figures on the ticket to the quantity now remaining.

The kinds, quantities and values of the goods in each department having been shown separately (this arrangement being desirable for reference in the future), then the recapitulation of the goods in all the departments is given at the end, with the final total of the stock on hand.

As a rule, an Inventory of Goods is taken at the cost price, and in order that this may be done intelligently, the cost price must be marked upon the goods when they are received and the invoice is being checked off. (See Index for "Marking Cost Price on Goods.") The exception to the rule would be in the case of goods that have depreciated, say by shop wear, being out of fashion, or, as with iron goods, their value in the market being lower. The business year that is closing should bear the loss from depreciation.

If all business men would take stock yearly as we have indicated, and write off bad debts annually (See Index, for "Writing Off Bad Debts,") there would be fewer failures.

The best conducted retail dry goods houses keep their stock of goods free from bad accumulations to a great extent, by giving their salesmen a small premium for selling goods that are sticking too long.

SUNDRY DEBTORS' ACCOUNT.

An account with the above heading is sometimes opened where there is a large number of small personal accounts, under the mistaken notion that labor will be saved by it. We have yet to see such an account used alone, without an auxiliary ledger containing the separate accounts in connection with it, that did not make a great deal of confusion and much trouble. If you give an individual credit at all, open a separate account for him. It is not necessary that these accounts should be in the General Ledger; they may be kept in a small, easily handled Ledger, which may be called the Petty Ledger. To learn the way to deal with numerous small personal accounts, read "Book-keeping for Churches and Public Institutions." See Index.

FORM OF SIX COLUMN JOURNAL.

London, Ont., March 1st, 1908.

Mdse.	Cash.	Sundries.	L.F.	Give introductory explanation, see page 119.	L.F.	Sundries.	Cash.	Mdse.
800	1500		77	To J. S. Miller, Cap. Acct., Amounts invested, As per inventory, T. Gibbard's Note B. B. \$600 D. Roblin's Draft 400 Balance of Account	77	3425		
				J. R. Marvin, "				
1200	1500		77	To F. Lane, Cap. Acct., Amounts invested, As per inventory, Lot No. 8, Mountain Street, S. Fowler's Note as per B.B. \$200 H. Jackson's " " " " .. 800 Accrued on Jackson's Note.....	77	4415	03	
				Sundries Dr. Cash, Mdse., Real Estate, Bills Receivable, Interest,				
1800			80	To W. McKay, Bought on acct., as per invoice of March 2nd. "	80	1800		
			✓	Robert Carey Dr. For 50 yds. Broadcloth at \$2.25 \$112 50 " 12 Fancy Neckties " 1.00 12 00 " 15 doz. prs. L. Thread Hose at \$3.25 48 75	✓			173 25
			75	Bills Receivable Dr. J. Goodwin For 50 yds. Flannel at 60c. \$30 00 " 25 " Broadcloth at \$3.75 93 75 " 66 " Cassimere " 1.25 82 50 Received in part payment Draft on A. Benson, B. R. No. —	✓			206 25
3800	3000	3219		Amounts forward		9640	03	379 50

When you refer in a Journal or Cash-Book entry to a Bill Receivable or Bill Payable, always give its Bill-Book number; also give the numbers of cheques issued by you.

London, Ont., March 4th 1908.

Mdse.	Cash.	Sundries.	L.F.		L.F.	Sundries.	Cash.	Mdse.
3800 200	3200	3219 53	✓	Mdse. Dr. Amounts brought forward..... To Sundries. To H. Simmons..... " Bills Payable..... Bought of H. S., goods as per Invoice, gave in part settlement, B. P. No.—, 5	81 75	9640 03 100 100		379 50
	199 70		✓	Cash Dr. Sold H. Harding for Cash 6	✓			199 70
		211 50	75	Bills Receivable Dr. Sold W. Williams for his Note, B. R. No.—, 4	✓			211 50
	50		✓	Cash Dr. Received his Demand Draft on W. Johnson. 8	82	50		
		137 25	81	Jas. Goodwin Dr. For 90 yds. Scotch Tweed at \$1.25..... \$112.50 " 45 " Red Flannel " 55..... 24.75	✓			137 25
50			✓	Mdse. Dr. Bought of W. Harding as per invoice for our Note, B. P. No.—, 4	75	50		
		45	75	Bills Receivable Dr. Sold R. Manning for his Acceptance, B. R. No.—, bill of above amt 9	✓			45
	85		✓	Cash Dr. Received his Demand Draft on J. James. 4	83	85		
200			✓	Mdse Dr. Bought of R. Watson as per Invoice, Sundries..... *Cash..... *Mdse.....	✓		200 00	
4250	3334 70	3613 28 *3334 70 *4250	63 69		63 69	10025 03 *200 *972 95	200 00	972 95
		11197 98	98			11197 98		

The above is considered sufficient to illustrate the form of entering transactions in this book. *Red Ink. Give a full explanation following each Journal entry.

THE STUDENT TO READ CAREFULLY BEFORE COMMENCING THIS SET.

REMARKS ON SET XI.

This Set is intended to illustrate a very practical form of keeping accounts; also some of the most important changes that take place in a partnership business. For this purpose it is continued four months, each month representing, as far as the closing of the books and the agreements of the partners are concerned, a year's business. At the end of the first year (represented by January), the existing partners, "Student" and "S. G. Beatty," admit a new partner, who is to share in the gains and losses according to capital invested. It is a settled principle in accounts, that whenever any change in the business occurs, the existing Resources and Liabilities of the concern should be made apparent; and, consequently, the proprietors' accounts should represent their investment at the time of the change. It is evident that if the accounts are all left in their current condition at the time of admitting a partner, he will unjustly become a joint partner in the gains which accrued before he had anything to do with the business. It becomes necessary, therefore, before admitting a new partner, to credit the original partners with their respective gains during business.

With this in view, we close the books at the end of January, credit each partner with his net gain, and bring down the balances of the accounts that show the Resources and Liabilities as instructed on page 86 and illustrated on pages 51 and 52.

At the end of the second year (represented by February) another partner is admitted, and the business changed from that of a Retail Grocery to a Wholesale Grocery and Shipping Business.

During the third year one of the partners disposes of his interest in the business to an outside party, who is allowed to assume the position of the retiring partner.

Through a disastrous fire at the end of the fourth year, the store and goods are entirely consumed, nothing being saved but the books and valuable papers. The accountant is required to effect a settlement with the Insurance Companies, collect all Resources and pay off all Liabilities, as the partnership is to be dissolved and the business discontinued.

BOOKS USED.

The books necessary for this Set are Journal-Day-Book, Invoice-Book, Cash-Book, Bill-Book, and Ledger, and as there will be a large number of accounts, you will keep an Index for the Ledger.

A new feature introduced in the Journal-Day-Book of this Set relates to the keeping of a column exclusively for *credit* sales of Merchandise, whereby the Journal and Sales-Book are combined, and an opportunity afforded to post all credit sales of Merchandise in Total. The Invoice-Book and Cash-Book are used as books of original entry. The transactions of the Invoice-Book are journalized from that book at the end of the month, and the transactions of the Cash-Book are posted directly to the Ledger.

SET XI.

Before commencing the Set, read page 126 carefully, and see forms of Journal-Day-Book, Invoice-Book, and Cash-Book immediately after the transactions for January.

SPACE REQUIRED FOR LEDGER ACCOUNTS.

Partners, $\frac{1}{2}$ page each. Merchandise, Bills Receivable, Bills Payable, Interest, A. Overell, S. Edsall, A. Forin, Merchants Bank, Cash, a whole page each. Wm. Drewry, R. D. Anglin, Jos. Allen, W. Ponton, John Laird, T. B. Dean, Expense, Salary, Rent, Rimmer, Gunn & Co., Charges, Commission, J. W. Dickie, P. V. Dorland, W. B. Robinson, one-half page each. Loss and Gain, two pages; and all other accounts one-third of a page each.

RETAIL GROCERY BUSINESS.

(TWO PARTNERS.)

Gains and Losses to be divided in proportion to Capital invested.

Hamilton, January 1st, 1908.

*——— and S. G. Beatty this day form a co-partnership as per articles of co-partnership, for the purpose of conducting the Retail Grocery Business, renting from Wm. Lottridge, Store No. 62, Macnab street, at \$600 per year.

STUDENT invests Cash, \$3,800; Merchandise, per inventory, \$2,500; George Stinson's Note at three months from October 10th, 1907, with interest at 6 per cent. per annum, \$500. Interest accumulated to date, \$——. A. Hamilton owes on account, \$250. John Smith owes on account, \$100.

Liabilities—Note in favor of W. Brown, at 6 months, from October 12th, 1907, \$500. T. Durham, on account, \$275.

S. G. Beatty invests Cash, \$5,500. Note against W. Fleming, at 6 months, from October 1st, 1907, \$1,750.

2—Make a memorandum in your Journal Day Book that you engaged A. Overell, Alex. Forin, S. Edsall and John Laird as clerks, at \$300 each per year. Sold Wm. Drewry, on account, 3 lbs. Japan Tea, at 70c.; 18 lbs. Brown Sugar at 5c.; 1 lb. Cloves, 60c. Sold R. D. Anglin, on account, 10 lbs. Java Coffee, at 40c.; 50 packages California Seeded Raisins at 13c per pkg.; 2 lbs. Pepper, at 30c. *Cash sales, \$96.*

3—Bought of Rimmer, Gunn & Co., Montreal, on four months' credit (purchases are now to be entered only in the Invoice Book when received—see page 132), 11 kegs Java Coffee, gross weight 880 lbs., tare 14 lbs. each, at 27 $\frac{1}{2}$ c. Paid freight on above, \$4.25. Sold Jos. Allen, on account, 100 lbs. Dry Cod, \$6; 21 lbs. Crushed Sugar at 6c. Deposited in Merchants Bank, \$6,500. *Cash sales, \$110.*

5—Bought of James Gunner & Co., Montreal, on four months' credit, 6 bbls. Labrador Herrings, at \$6.50; 4 kegs of Whitefish, at \$7.75; paid freight, \$2.50. Paid E. Harrison for set of Books for use of store, \$10.50. Sold S. Edsall, on account, 5 gallons Standard Syrup, at 50c.; 20 lbs. Sugar, at 5c. Sold O. Vandervoort, on account, 2 bbls. Golden Syrup, 36 gallons each, at 45c.; 2 kegs Java Coffee, 125 lbs. at 40c.; 4 boxes Valencia Raisins, at \$3.25. Sold W. Ponton, on account, 5 lbs. Ground Ginger, at 30c.; 1 lb. Pepper, 25c.; 12 lbs. Prunes, at 20c. Received from A. Hamilton, on account, his Note at one month for \$100. *Cash sales, \$145.*

7—Bought of J. Carruthers & Co., Kingston, at 30 days, 27 bbls. No. 2 Sugar, 8767 lbs. gross; tare, 21 lbs. each, at 4 $\frac{1}{2}$ c. Paid Freight, \$4.60. Sold R. D. Anglin, 1 bbl. Sugar, 320 lbs. gross; tare, 20 lbs., at 8c. Sold A. Overell, 2 lbs. Tea, at 95c. Sold Wm. Drewry, 20 lbs. Dried Apples, at 15c.; 1 bbl. Labrador Herring, \$7. Sold Alex. Forin, 1 lb. Tea, 90c.; 1 lb. Candies, 50c. *Cash sales, \$186.*

¹Student's name. A Proprietor or Partner may have both a Capital a/c and a Current a/c in the Ledger. See index "Partners' Capital and Partners' Current Accounts."

NOTE.—Consider all sales as made on account, unless settlement be mentioned in the entry.

- 8—Bought of S. E. Shibley, on our Note at 60 days, with interest at 7 per cent. per annum, 100 bbls. Apples, at \$1.25; 40 bush. Chili Potatoes, at 50c.; 200 half bbls. Extra Flour, at \$2.30. *Accepted J. Carruthers & Co.'s Draft at 30 days, from the 7th inst., for amount of invoice and $\frac{1}{2}$ per cent. exchange. Sold Joseph Allen 2 bbls. of Apples, at \$1.50; 4 lbs. Rice, at 12½c. Paid for repairing Store, \$25. Remitted Rimmer, Gunn & Co., Cash for their invoice of the 3rd inst., less discount at 2½ per cent. Discount, \$—. Cash remitted, \$—. (There is an entry on each side of the Cash-Book for this transaction. See C. B.) Received of A. Hamilton, on account, \$20. Sold John Laird, on account, 25 lbs. Salmon, at 12c.; 20 lbs. Raisins, at 12½c. Sold T. B. Dean, on account, 28 lbs. Sugar, at 6c.; 5 lbs. Dried Apples, at 20c. Deposited in Merchants Bank, \$1,000. *Cash sales, \$250.*
- 9—Bought of Pitceathly & Kelso, Belleville, on account, 20 bbls. Mackerel, at \$5; 6 bbls. Trout, at \$8. Paid Cash for Freight, \$12.50. Received of O. Vandervoort his Note at 90 days, from this date, bearing interest at 7 per cent. for goods sold him the 5th inst. Bought of Sinclair, Jack & Co., Montreal, on 2 months' credit, 5 half-chests "Uncleared Japan" Tea, 75, 76, 78, 77, 79 lbs. gross, tare 11 lbs. each, at 50c.; 4 half-chests Young Hyson, 78, 86, 75, 73 lbs. gross, tare 9 lbs. each, at 74c.; 5 boxes of Pr. of W. Tobacco, 120, 125, 130, 132, 136 lbs., tare 16 lbs. each, at 30c. Paid freight in Cash, \$13.60. Sold Joseph Allen 2 half-chests Japan Tea, 130 lbs., at 90c. Sold Wm. Drewry 55 lbs. Pr. of W. Tobacco, at 45c. Sold S. Edsall 3 lbs. Gunpowder Tea, at 90c.; 3 dozen Nutmegs, at 15c.; 1 bush. Onions, at \$1.75. *Cash sales, \$238.*
- 10—Had O. Vandervoort's Note discounted at Merchants Bank at 8 per cent. per annum, discount, \$—. Cash received, \$—. (There is an entry on each side of the Cash-Book for this transaction. See C. B.) Paid Cash for sundry items of expense, as per P.C.B., \$22.40. Sold John Laird, 12 lbs. Prunes, at 20c.; 10 lbs. Raisins, at 12½c. Sold T. B. Dean, 1 bbl. Apples, \$1.50; 4 lbs. Raisins, at 12½c. Sold Alex. Forin 2 lbs. Macaroni, at 20c.; 10 lbs. Coffee, at 40c. *Cash sales, \$174.*
- 11—Sent Pitceathly & Kelso our Note at 3 months, with interest at 8 per cent., for their invoice of the 9th inst. Paid Cash for Stationery and Stamps, \$4.80. Sold W. Ponton 15 gallons Syrup, at 40c.; 1 lb. Tobacco, 50c. Sold A. Overell 4 lbs. Candy at 50c.; 1 lb. SS. Almonds, 55c. Received of John Smith, in full of account, Cash, \$50, and his Note at 30 days, with interest at 8 per cent. for balance, \$—†. *Cash sales, \$276.*
- 12—Bought of A. Urquhart & Co., Montreal, on 4 months, 30 cases Valencia Oranges, at \$4.75; 20 bbls. Gran. Sugar, at \$1.45; 100 boxes (28 lbs. each) Valencia Raisins, at 9c. per lb.; 100 boxes (36 pkgs. each) California Seeded Raisins, at 11c. per pkg.; 13 bbls. Zante Currants, 3469 lbs., at 6½c. Total \$1099.20. Paid Freight in Cash, \$22.40. Sold T. B. Dean 4 lbs. Tobacco at 50c.; 2 dozen Nutmegs, at 30c. Paid A. Overell, Cash, \$5; John Laird, \$3.50; S. Edsall, \$4.50; Alex. Forin, \$3. *Cash sales, \$236.*
- 14—Received Cash in full for George Stinson's Note of October 10th, with interest. Sold Wm. Vickers, at 30 days, 200 pkgs. California Seeded Raisins at 12½c.; 1 bbl. Zante Currants, 247 lbs., at 7c.; 1 bag SS. Almonds, 125 lbs., at 24c.; 1 box Pr. of W. Tobacco, 105 lbs., at 35c. Sold W. Ponton, 10 boxes Figs, (28 lbs. each) at 13½c. per lb.; 1 bbl. Zante Currants, 202 lbs., at 7½c. Sold A. Overell, 20 lbs. Prunes, at 20c. *Cash sales, \$249.*
- 15—Received from W. Vickers his Note at 30 days from the 14th inst., for amount of goods sold him. Bought for Cash 10 reams of Wrapping Paper, at 95c. (charge to Expense a/c). Sold T. B. Dean 4 lbs. Coffee, at 30c. Received of W. Ponton, on account, Cash, \$20; Wm. Drewry, \$15; R. D. Anglin, \$10. Paid S. Edsall \$9. Paid Sundry Expenses, as per P. C. B., \$4.40. Had W. Fleming's Note of October 1st discounted at Merchants Bank, at 7 per cent. per annum. *Cash sales, \$275.*
- 16—Bought of J. H. R. Molson & Bros., Montreal, on 3 months, 30 bbls. Gran. Sugar; gross weight 9673 lbs.; tare 605 lbs., at \$4.75 per cwt. Paid Freight on above, \$5.60. Sold W. Ponton 2 bbls. Sugar, 656 lbs. gross, tare 20 lbs. each, at 5c per lb. Sold S. Thompson 15 gallons Vinegar, at 40c. Discounted our Note, in favor of W. Brown, at 7 per cent. for unexpired time. Paid T. Durham on account, \$15. *Cash sales, \$268.40.*
- 17—Sold R. D. Anglin 1 keg Whitefish, \$12; 2 lbs. Tobacco, at 50c. *Cash sales, \$196.*
- 18—Deposited in Merchants Bank, \$2,850. Paid Cash for Tax Bill, \$15; Gas, \$25; Coal, \$20. Sold John Laird 40 lbs. Sugar, at 6½c. Received from Jos. Allen, on account, \$50. *Cash sales, \$245.*
- 19—Paid Sinclair, Jack & Co.'s invoice of the 9th inst., less 3½ per cent., and remitted amount per Draft of the Bank of Montreal, for which we paid cash (without exchange). Received from A. Hamilton, Cash in full of account. *Cash sales, \$210.40.*

*You must charge J. Carruthers & Co. only with the sum of the invoice; charge the exchange to Discount and Interest a/c., and credit Bills Payable a/c. with the whole amount.

†As soon as an entry of this kind is posted, the account should be ruled up in the Ledger, in order that it may not be brought into the Trial Balance at the time of closing, or, use letters to show balance as explained under the head, "To show settlements in Ledger accounts without ruling." See index.

- 21—Sold Wm. Drewry 30 lbs. Sugar-cured Ham, at 20c.; 16 lbs. Mess Pork, at 15c. Deposited in Merchants Bank, \$400. *Cash sales*, \$260.
- 22—Paid John Laird, Cash, \$1.50; S. Edsall, \$2.40; Alex. Forin, \$3.60; A. Overell, \$2.00. *Cash sales*, \$174.60.
- 23—Received from Wm. Drewry, on acct., \$10. Sold R. D. Anglin, 1 half-chest Japan Tea, 85 lbs., tare 4 lbs., at 36c. Sold Joseph Allen, 2 bbls. Labrador Herring at \$8.00 per bbl. Sold T. B. Dean, 10 bbls. Apples, at \$1.40. *Cash sales*, \$172.
- 24—Deposited in Merchants Bank, \$386. Accepted T. Durham's Draft on us at 30 days, in favor of J. W. Campion, for balance of his acct. Sold M. Lingham, for Note at 60 days, 1 cask Vinegar, 40 gals., at 40c.; 10 bbls. Apples, at \$1.45; 140 lbs. Sugar, at 5c. *Cash sales*, \$268.
- 25—Paid for repairing store, \$20 per cheque. Lent G. J. Sherry, \$120, for which he gave his Note at 30 days, bearing interest at 6 per cent. until paid. Sold Wm. Drewry, 5 lbs. Japan Tea, at 95c. *Cash sales*, \$164.
- 26—Student drew on private acct., \$250. Deposited in Merchants Bank, \$430. Sold R. D. Anglin, 22½ lbs. Sugar-cured Ham, at 20c. *Cash sales*, \$167.
- 28—S. G. Beatty drew on private acct., \$167; 1 lb. Tea, 75c.; 3 bbls. Apples, at \$1.25. *Cash sales*, \$146.
- 29—Bought of Ross & Davies, for Cash, 10 half-bbls. Herring, at \$5.50. Sold W. Ponton, 25 lbs. Dried Cod, at 12c. *Cash sales*, \$100.
- 30—Received of Joseph Allen, on acct., \$75. Paid A. Overell, \$4. *Cash sales*, \$176.
- 31—Paid Alex. Forin, \$3; S. Edsall, \$2. *Cash sales*, \$260.

Open a Salary Account, and pass the amount of the clerks' salary for one month to their credit. Make Rent Account Dr. to the Landlord for one month's rent of store; both entries to be made first in the Journal.

NOTE.—As an additional partner will be admitted into the business at the beginning of the ensuing month, it becomes necessary to post all transactions up to the present time, take off a Balance Sheet to ascertain the condition of the business, and close all accounts in the Ledger; but instead of transferring balances of real accounts to Balance Account, bring them down under their respective accounts, writing "To" or "By Balance" in Black Ink. See examples at pages 51 and 52. Compare the balances brought down with the resources and liabilities columns of the balance sheet, with which they should agree. Never neglect this.

Allow a profit of 25 per cent. on sales, in order to ascertain the inventory of merchandise.*

Net Gain, \$779.56.

JOURNAL DAY BOOK.

The form of Journal Day Book used in this Set is similar to that of Set IX., except that the outside column is used exclusively for credit sales of Merchandise. This form is very extensively used in large retail houses. It combines the Journal and Sales-Book in one, and affords an opportunity of posting the sales of Merchandise in monthly totals. The column containing credit sales is forwarded to the end of the month, and the Cash Sales, from the Cash-Book, added to this amount gives the total sales, as illustrated in the following form. (See next page.)

The following form is considered sufficient to illustrate the mode of entering transactions in this Journal. It will be observed that Cash transactions are not entered here, but carried into the Cash-Book, from which they are posted direct to the Ledger. Purchases of Merchandise are entered first in the Invoice-Book and journalized at the end of the month, one debit being made to Merchandise Account for all the time purchases of the month, and each purchase is credited separately to the individual Account or Bills Payable Account. Cash purchases are posted direct to the Ledger from the C. B.

* In order to ascertain the value of unsold Merchandise, divide the credit side of Merchandise Account by \$1.25, the amount realized for each dollar of the cost, and the quotient will be the cost price of all Merchandise sold. The cost of Merchandise sold, subtracted from the cost of Merchandise bought will leave the cost price of unsold Merchandise.

(See explanation on preceding page.)

								Mdse.	
		——and S. G. Beatty have this day entered into co-partnership, to carry on the Retail Grocery business, as per Articles of Agreement, renting from William Lottridge Store No. 62, Macnab Street, at \$600 per year.							
		NOTE.—With each entry in the Journal throughout the XI. Set there must be full Explanations.							
		1							
112	Sundries Dr.	To Student, Cap. a/c.	\$7156	82				
		For effects invested.							
C. B.	Cash	Amount invested as per C. B.	\$3800	00					
114	Merchandise	" " " Inventory	2500	00					
115	Bills Rec.	G. Stinson's Note as per B. B.	500	00					
118	Interest	Accrued on above Note to date	6	82					
115	A. Hamilton	Owes on account.....	250	00					
115	John Smith	" " " ".....	100	00					
112	Student, Cap. a/c., Dr. to Sundries.....		775	00					
		For liabilities assumed by firm.							
115	Bills Pay.	Note favor W. Brown as per B.B.		500					
120	T. Durham.	Bal. of acct. assumed.....		275					
113	Sundries Dr.	To S. G. Beatty, Cap. a/c.		7250					
		For effects invested.							
C. B.	Cash	As per C. B.	5500	00					
115	Bills Rec.	W. Fleming's Note as per B.B.	1750	00					
		" " " ".....							
		Engaged A. Overell, A. Forin, S. Edsall and John Laird as Clerks, at \$300 each per year.							
121	William Drewry	Dr. to Mdse.....	3	60			2	10	
		For 3 lbs. Japan Tea at 70c.....						90	
		" 18 lbs. Gran. Sugar at 5c.....						60	
		" 1 lb. Cloves.....							
123	R. D. Anglin	Dr. to Mdse.....	11	10			4	00	
		For 10 lbs. Java Coffee at 40c.....					6	50	
		" 50 pkgs. Cal. Seeded Raisins at 13c.....						60	
		" 2 lbs. Pepper at 30c.....							
121	Joseph Allen	Dr. to Mdse.....	7	26			6	00	
		For 100 lbs. Dry Ccd at 6c.....					1	26	
		" 21 lbs. crushed Sugar at 6c.....							
125	S. Edsall	Dr. To Mdse.....	3	50			2	50	
		For 5 gals. Standard Syrup at 50c.....					1	00	
		" 20 lbs. Sugar at 5c.....							
124	O. Vandervoort	Dr. To Mdse.....	95	40			32	40	
		For 2 bbls. Golden Syrup 72 gals., at 45c.....					50	00	
		" 2 kegs Java Coffee, 125 lbs. at 40c.....					13	00	
		" 4 bxs. Val. Raisins at \$3.25.....							
130	W. Ponton	Dr. To Mdse.....	4	15			1	50	
		For 5 lbs. Ground Ginger at 30c.....						25	
		" 1 lb. " Pepper.....					2	40	
		" 12 lbs. Prunes at 20c.....							
		Amounts forwarded.....	15306	83	15181	82	125	01	

Hamilton, January 5th, 1908.

				Mdse.	
	Brought forward.....	\$15306	83	\$15181	82
115	Bills Receivable Dr.	100	00		125 01
113	To A. Hamilton.....			100	00
	Received his Note as per B.B. (No.—) on acct.				
	7				
123	R. D. Anglin, Dr. To Mdse.....	24	00		
	For 1 bbl. Sugar, 300 lbs. net, at 8c.....				24 00
	31				
114	Merchandise Dr. To Sundries...	1801	19		
	Purchases from the Invoice-Book, F. 132.				
140	To Rimmer, Gunn & Co., invoice of Jan. 3			199	65
142	" James Gunner & Co., " " 5			70	00
141	" J. Carruthers & Co., " " 7			389	50
116	" Bills Payable, " " 8			605	00
146	" Pitceathly & Kelso, " " 9			148	00
349	" Sinclair, Jack & Co., " " "			389	04
114	*Merchandise Cr. by Sundries			*149	01
	*Red Ink.	\$17232	02	\$17232	02

INVOICE-BOOK OR PURCHASE-BOOK.

This is a book in which to copy all bills of goods purchased, in order to have a book record of the details of such transactions, in case the original invoice should be lost or destroyed. This is practised by some merchants, but it is as convenient, and saves a great amount of writing, to paste the original invoices into a book made of some description of paper of a larger size than the invoices. By means of an index to this book, it will be found more convenient to refer to the original invoices than to seek them from files.

In some business houses, where the invoices received are long, they are filed and numbered, and only an abstract of them entered in this book, with the number for reference. In whatever form the Invoice-Book is kept, entries affecting the debit side of Merchandise account should originate here; when this is done, it becomes a direct and perfect check upon the Dr. side of Merchandise account in the Ledger. This book is journalized at the close of the month under the heading "Merchandise Dr. to Sundries," or you might post directly from the Invoice-Book into the Ledger, which is the Modern Method; in that case, rule dollar and cent columns on the right, fold each Invoice neatly up to the name of the seller, write the explanation underneath each, carry the amount into the column, unless bought for Cash, and carry forward each column. The footing at the end of the month is the amount with which to debit Merchandise account. After debiting Mdse., credit each Invoice to the individuals or to Bills Payable, as the case may be, and put the Ledger folio on each Invoice in red ink.

Merchandise purchased for Cash is entered in this book, but is posted from the Cash-Book.

When a Cash purchase is entered, mark "C. B." in the folio column opposite the name of the seller, in order that it may not be journalized with the other transactions, and thereby posted twice. Do not carry the figures out to the column.

In the example of Invoice-Book on page 132, the two sets of columns for dollars and cents on the right are used for extensions and sums total of purchases on time; a third, or inside column, may be ruled for Cash purchases.

Invoices of goods to be sold on commission are not entered in this book; they should either be kept in a separate book, or a memorandum of them made in the Day-Book, and the invoices should be filed away for reference. Merchants who import goods from other countries keep a Foreign Invoice-Book, in which they enter the invoices of all goods purchased in foreign

countries, and a Domestic Invoice-Book, for invoices of Merchandise purchased in their own country.

Want of space prevents us from giving more than a few of the first purchases in the form of Invoice-Book on next page; but those given are considered sufficient to show how the entries should be made.

When an invoice in a foreign currency is received, you may deal with it in two ways. In the case of a Sterling Invoice, for example, you may count it at the present rate of exchange, debit Mdse. account, and credit the firm from which you purchased; and if, when you settle for it, exchange is higher than you estimated, charge Mdse. or Discount and credit the firm from which you purchased with the difference, or, if it is lower, do the reverse. The other way is to post the Invoice, leaving the figures blank until you have ascertained the actual cost.

INVOICE-BOOK (OR PURCHASE BOOK)—SET XI.

Hamilton, January 1st, 1908.

MARKS.	NOS.	D. B.	Mdse. invested by Student as per Inventory-Book,	2500	00		
		✓	3 Rimmer, Gunn & Co., Montreal. 11 kegs Java Coffee, Gross weight, 880 lbs. Tare 14 lbs. each, 154 " Net, 726 " at 27½c. *4 months' credit or 2½ per cent. off for Cash.			199	65
		✓	5 James Gunner & Co., Montreal. 6 bbls. Labrador Herrings at \$6.50 4 kegs Whitefish at \$7.75 4 months' credit.	39 31		70	00
		✓	7 J. Carruthers & Co., Kingston. 27 bbls. No. 2 Sugar, 8767 lbs. gross 567 " tare. 8200 " net, at 4¾c. 30 days' credit.			389	50
		✓	8 S. E. Shibley, Belleville. 100 bbls. Winter Apples at \$1.25. 40 bush. Chili Potatoes " 0.50. 200 bbls. Extra Flour " 2.30. Note at 60 days.	125 20 460		605	
		✓	9 Pitceathly & Kelso, Belleville. 20 bbls. Mackerel at \$5. 6 " Trout " 8. 3 months' credit.	100 48		148	00
		✓	" Sinclair, Jack & Co., Montreal. 5 half chests Uncolored Japan Tea. lbs. tare. 75—11 over 229—33 76—11 77—11 78—11 79—11 229—33 385—55=330 lbs. at 56c. 4 half chests Young Hyson. 78— 9 over 239—27 86— 9 73— 9 75— 9 239—27 312—36=276 lbs. at 74c. 2 months' credit.	184 80 204 24		389	04
			†Total purchases, Journal, page 131.			1801	19

*Always write below the invoice, the terms of purchase.
See Purchase Journal* Refer to Index.

†Red Ink.

CASH-BOOK.

(With three special columns on each side.)

(See form on pages 134 and 135.)

The only distinction between the following form of Cash-Book and that of Set IX. is the adoption of a greater number of special columns.

This form of Cash-Book will be found applicable to almost any kind of business.

The columns which we use for Merchandise, Interest, Bills Receivable, Expense and Freight may be used for any other titles. Every business has particular accounts from which its principal income is derived, and for which its chief expenditure is paid. These accounts must always create a great number of entries, and any mode of posting these entries in accumulated amounts must materially diminish the amount of writing in the Ledger. The number of special columns used, and the titles adopted, depend upon the nature of the business. The special columns on the Dr. side should be headed with the names of accounts for which cash is frequently received, and the special columns on the Cr. side with accounts for which Cash is frequently paid.

 SECOND MONTH'S BUSINESS.—SET XI.
February 1st, 1908.

We have this day admitted J. W. Dickie as partner, who invests, according to Articles of co-partnership, Cash, \$7500.

Bought of Carr, Chase & Raymond, Boston, 50 half-chests E. B. Souchong Tea, 40 lbs. net each, 68 1-5c; *paid Customs Duty, 10c. per lb.; Freight, \$12.50. Received of Wm. Drewry, on account, \$30. *Cash sales*, \$87. Deposited in Bank, \$6250.

2—Joseph Allen pays his account in full to date by contra account against S. G. Beatty, \$15.60; Cash for balance. Paid S. Edsall, Cash, \$3.50. *Cash sales*, \$145.60.

4—Sold Wm. Drewry, on acct., 28 lbs. Sugar, at 5c.; 1 box Soap, \$2; 2 lbs. Green Tea, at 75c. Sold R. D. Anglin, on acct., 1 box Candies, 50 lbs., at 10½c.; 10 gallons Syrup, at 65c. *Cash sales*, \$176.

5—Bought of Rimmer, Gunn & Co., of Montreal, on four months, 100 bbls. Sup. Family Flour, at \$5.25; 8 half-chests J. Tea, 80 lbs. net each, at 35c.; 10 bbls. Dairy Salt, at \$3.90. Paid Freight, \$56. Sold W. Ponton, 1 bbl. Family Flour, \$6.50; 1 box Soap, \$2.25. *Cash sales*, \$135.

6—Paid Sundry Expenses, P. C. B., \$7.50. Sold R. D. Anglin, on acct., 1 bush. Dried Apples, \$4.25; 20 lbs. Prunes at 20c. Paid Alex. Forin, Cash, \$3.50. Sold W. Raymore, on acct., 50 lbs. Sugar-cured Ham, at 17c.; 3 lbs. Green Tea, at 90c.; 10 gallons Vinegar, at 26c. *Cash sales*, \$174.

THE TRANSACTIONS OF THIS SET ARE CONTINUED AT PAGE 136.

*Charge duties to Merchandise account, as they are part of the cost. See "Duties on Goods." The Freight on purchases might also be charged to Merchandise, but it is usual to keep a Freight account which may be closed into Merchandise, or, as we do, into Loss and Gain.

Dr.

CASH.

1908.	F.		Mdse.	Interest.	Bills Rec.	Sundries.
Jan.	1	D. B. To Student, Cap. Acct. Amount invested.....				3800 00
"	"	D. B. " S. G. Beatty, Cap. Acct. " "				5500 00
"	2	✓ " Mdse., Sales from till	96 00			
"	3	✓ " Mdse., " "	110 00			
"	5	✓ " Mdse., " "	145 00			
"	7	✓ " Mdse., " "	186 00			
"	8	✓ " Discount, On R. G. & Co.'s invoice		4 99		
"	"	98 " A. Hamilton, On account				20 00
"	"	✓ " Mdse., This day's sales, till	250 00			
"	9	✓ " Mdse., " " "	238 00			
"	10	✓ " Bills Rec., Had O. V.'s Note discounted			95 40	
"	"	✓ " Mdse., This day's sales, till	174 00			
"	11	99 " John Smith, Part payment of account				50 00
"	"	✓ " Mdse., This day's sales, till	276 00			
"	12	✓ " Mdse., " " "	236 00			
"	14	✓ " Bills Rec., Received payment of G.S.'s Note of Oct. 11 (B. R. No. —)			500 00	
"	"	✓ " Interest, On above Note to date		7 89		
"	"	✓ " Mdse., This day's sales, till	249 00			
"	15	94 " W. Ponton, On account				20 00
"	"	90 " W. Drewry, " "				15 00
"	"	87 " R. D. Anglin, " "				10 00
"	"	✓ " Bills Rec., W. Fleming's Note disc.			1750 00	
"	"	✓ " Mdse., This day's sales, till	275 00			
"	16	✓ " Discount, On our Note favor W. Brown at 7 per cent.		8 53		
"	"	✓ " Mdse., This day's sales, till	268 40			
"	17	✓ " Mdse., " " "	196 00			
"	18	88 " Jos. Allen, On account				50 00
"	"	✓ " Mdse., This day's sales, till	245 00			
	52	Mdse., Cr. by Cash	2944 40			*2944 40
	58	Interest, " "		21 41		*21 41
	54	Bills Rec., " "			2345 40	*2345 40
	15	Total to Dr. of "				14776 21

(All the Cash transactions of the month are not given here.)

When discounting a number of Notes or Acceptances at the same time, and making the entries in the Cash-Book, the following is a good form :—

			\$500.	\$780.	\$390.50	\$560.20	\$300.	\$2530.70
Jan. 3.	To Bills Receivable.	Dis.	Nos.	438.	440.	443.	450.	451.

Then make entries on the other side of the C. B. for the discount, and the proceeds left in the Bank.

* Extension to Sundries column on both sides Red Ink.

SET XI.

CASH.

Cr.

1908.	F.		Expense	Interest.	Freight.	Sundries.
Jan.	3	✓ By Freight,	On R. G. & Co.'s Invoice		4 25	
"	"	95 " Mer. Bank,	Deposited			6500 00
"	5	✓ " Freight,	On J. G. & Co.'s Invoice		2 50	
"	"	✓ " Expense,	Set of Books for Store	10 50		
"	7	✓ " Freight,	On J. C. & Co.'s Invoice		4 60	
"	8	✓ " Expense,	Repairing Window of Shop	25 00		
"	"	81 " R. G. & Co.,	In full of Invoice, 3rd inst			199 65
"	"	65 " Mer. Bank,	Deposited			1000 00
"	9	✓ " Freight,	On P. & K.'s Invoice		12 50	
"	"	✓ " Freight,	On S. J. & Co.'s Invoice		13 60	
"	10	✓ " Discount,	On V.'s Note at 8 per cent.† ...	26		
"	"	✓ " Expense,	Sundry Items per P. C.-B.	22 40		
"	11	✓ " Expense,	Stationery, \$4; p. stamps, 80c ..	4 80		
"	12	✓ " Freight,	On Urquhart & Co.'s Invoice ...		22 40	
"	"	74 " A. Overell,	On account of Salary			5 00
"	"	73 " Jno. Laird,	" "			3 50
"	"	70 " S. Edsall,	" "			4 50
"	"	75 " A. Forin,	" "			3 00
"	15	✓ " Expense,	Wrapping paper, 10 reams at 95c.	9 50		
"	"	70 " S. Edsall,	On account			9 00
"	"	✓ " Expense,	Sundry Items, P. C.-B.	4 40		
"	"	✓ " Discount,	On Fleming's Note at 7 p.c.	26 51		
"	16	✓ " Freight,	On J. H. R. Molson Bros.' Inv. .		5 60	
"	"	56 " Bills Pay.,	Retired B. P. No. —			500 00
"	"	81 " T. Durham,	On account			45 00
"	18	65 " Mer. Bank,	Deposited			2850 00
"	"	✓ " Expense,	Taxes, \$15; Gas, \$25; Coal, \$20	60 00		
	61		Expense Dr. to Cash	136 60		*136 60
	58		Interest " "	26 77		*26 77
	60		Freight " "		65 45	*65 45
	51		Total to Cr of "			11348 47
						*3427 74
						14776 21

* Balance in hand,

(All the Cash transactions of the month are not given here.)

When retiring a number of Notes or Acceptances at the same time, and making the entries in the Cash-Book, the following is a good form :—

	\$500.	\$397.50	\$430.20	\$600.	\$200.	\$2127 70
Jan. 3rd.	By Bills Payable.	Retired Nos. 183.	190.	195.	184.	191.

† If you had left the proceeds of this Note to your credit in the Bank, you would make an entry, preceding the Discount entry, By Bank, Proceeds of B. R. No.—Discounted.

NOTE.—P. C.-B. means Petty Cash-Book, in which small items of expense are recorded when paid. At intervals the total is recorded as above in the regular Cash-Book. Another way to deal with Petty Cash will be found under the head of "Imprest System for Petty Cash."

- 7—S. G. Beatty draws on private account, Cash, \$50; 3 lbs. Tea, at 60c.; 18 lbs. Sugar, at 5c.; 3 bbls. Flour, at \$4.50. Received of R. D. Anglin, on acct., \$25. Lent W. R. Barber, \$150. Paid our Note, favor S. E. Shibley, less discount for unexpired time. *Remitted A. Urquhart & Co., a Draft bought from the Bank of Montreal for amount of their Invoice of January 12th, less $2\frac{1}{2}$ per cent. discount; paid Cash for Draft and $\frac{1}{4}$ per cent. exchange. *Cash sales*, \$146.
- 8—Bought of Dobson & Sons, Port Hope, on 60 days, 200 doz. Corn Brooms, at \$3.25; 50 doz., at \$2.95, and 20 doz., at \$4; paid Freight, \$24.50. Sold Joseph Allen 10 doz. Brooms, at \$3.50; 2 half-chests Y. H. Tea, 67, $6\frac{1}{2}$; 74, $7\frac{1}{2}$ lbs., at 75c. Paid for Coal, \$26. Paid W. Lottridge, for 2 months' rent of store, per Cheque. Deposited in Merchants Bank, \$490. *Cash sales*, \$156.
- 9—Shipped per G. T. R. and consigned to C. Hutchison, Toronto, to be sold on our account and risk, 50 half-chests E. B. Souchong Tea, 40 lbs., net each at 79c.; †paid freight on the same, per Cheque, \$15. T. B. Dean pays his account in full to date by contra account for repairing store, \$4, and Cash for balance. Sold S. Thompson, on account, 30 boxes Valencia Raisins, at \$3. *Cash sales*, \$179.60.
- 11—Bought of David Cheesman & Co., London, on Note at 3 months, 16 boxes Mould Candles, 58 lbs. each, at $11\frac{1}{4}$ c.; 36 boxes Valencia Raisins, at \$2.50; 2 chests Y. H. Tea, $96, 7\frac{1}{2}$; $110, 12\frac{1}{2}$ lbs., at 69c. Paid freight, \$12. Deposited in Merchants Bank \$1250. Sold W. Drewry on acct., 1 box Candles, 58 lbs., at $13\frac{1}{2}$ c. *Cash sales*, \$172.
- 12—Received of Thomas Moore & Co., Toronto, to be sold on their acct. and risk, 130 bbls. Flour, invoiced at \$5.00. †Paid freight on the same, per Cheque, \$15. Paid sundry items of Expense per P. C. B., \$9.50. Received of W. Raymore, on account, \$5. Paid John Laird, \$4. *Cash sales*, \$79.
- 13—Received of John Smith, Cash in full for his Note and Interest, due this day. Received of R. D. Anglin, on acct., \$12. Paid A. Overell, Cash, \$3. Received of S. Thompson his Note at 2 mos. in full of account. *Cash sales*, \$87.
- 14—Sold Conger Bros., for their Note at 3 mos. 64 bbls. Flour, from Moore & Co.'s Consignment, at \$6.25. S. G. Beatty draws on private account, Cash, \$40. Received from C. Hutchison an Account Sales of the Mdse. shipped him the 9th inst., with net proceeds, \$1580.50, by Demand Draft on the Bank of Toronto; there being no agency of which in this place it costs $\frac{1}{4}$ per cent. for collection. *Cash sales*, \$156.
- 15—Sold R. Morris & Co., on their Acceptance at 30 days, the balance of Thomas Moore & Co.'s consignment for \$400. Paid advertising account to *Intelligencer Co.*, per Cheque, \$36. Having become dissatisfied with our clerk, John Laird, we settled with him in full to date, and discharged him. *Cash sales*, \$196.
- 16—Received Cash in full for W. Vickers' Note due this day. Closed Thomas Moore & Co.'s consignment of the 12th inst., and rendered them an Account Sales; charges posted, \$15; charges for Storage, Cooperage, etc., unposted, \$12.60; Commission $3\frac{1}{2}$ per cent. on sales; Moore & Co.'s net proceeds to be credited to their acct. *Cash sales*, \$196.
- 18—Deposited in Merchants Bank, \$750. Bought of J. Carruthers & Co., Kingston, on our Acceptance at 90 days, 6 bbls. Sugar, 300 lbs. each (net) at \$4.45 per cwt., 2 bbls. Dairy Salt at \$3.78 each; 100 boxes Soda Biscuits, at \$2.50; 50 boxes Wine do., at \$2.75. Paid Freight, \$14. Received Cash for A. Hamilton's ‡ Note with Interest for time overdue as per agreement at 6 per cent. Sold W. Raymore, on acct. 60 lbs. Cheese, at $12\frac{1}{2}$ c.; 1 box Raisins, \$3.25. *Cash sales*, \$219.60.

*The principle of this entry is worked out further on. See Index, "Remitting by Medium of a Bank Draft."

† Amounts paid for freight on Consignments or Shipments are not charged to Freight account, but to the particular consignment or shipment.

‡ The legal rate of interest on overdue debts is now 5 per cent. per annum, but any rate may be accepted that is agreed upon.

NOTE.—A few sales of goods, it will be noted, were made bearing interest. This condition is unusual, as goods, when spot cash is not paid, are generally sold on a credit of 30, 60 or 90 days. In a book so comprehensive as this we must deal with many unusual but possible circumstances.

- 19—Sold John Templeton, 40 doz. Brooms, at \$4, for which he paid by contra account against Student, \$96; Cash for balance. Received from R. Mason & Son, London, to be sold on their account and risk, 100 bbls. Sugar, invoiced at \$10 per bbl.; paid Freight, \$36. Remitted James Gunner & Co., Bank Draft to balance acct.; exchange $\frac{1}{4}$ per cent., paid Cash. *Cash sales*, \$158.
- 20—Paid for Office Stationery, \$5.50. Assumed the Sugar received from R. Mason & Son, the 19th inst., at \$12.50 a bbl., and shipped the same to Frank Smith & Co., Toronto, to be sold on our acct. and risk; paid for Insurance on it \$15, per Cheque. *Cash sales*, \$268.
- 21—Sold R. German, on acct., 2 bbls. Whitefish, at \$10; 1 bbl. Vinegar, 42 gals., at 47c. Closed R. Mason & Son's Consignment, and rendered an Account Sales; our charges for Storage, etc., 3c. per bbl.; Commission, 3 per cent. on sales; R. Mason & Sons, net proceeds, \$—, settled by Note at 60 days. *Cash sales*, \$216.
- 22—Bought of David Cheesman & Co., London, on Note at three months, 1 case Smyrna Figs, 165 boxes, 346 lbs., tare 73 lbs., at $14\frac{1}{2}$ c.; 1 case Eleme Figs, 40 boxes, 126, 37* lbs., at 12 $\frac{1}{2}$ c. Paid Freight, \$16.50. Remitted Thomas Moore & Co., by Bank Draft, the amount placed to their Credit on the 16th, for which we paid Cash (without exchange). *Cash sales*, \$149.
- 23—Received advice from Frank Smith & Co., that they have re-shipped our Consignment of the 20th inst., to Ross & Davies, Belleville, having charged us \$15 for receiving and re-shipping. Sold S. Edsall, 16 lbs. Loaf Sugar, at 12c.; 1 box Mould Candles, 58 lbs., at 12 $\frac{1}{2}$ c. *Cash sales*, \$140.
- 25—S. G. Beatty has taken, on private acct., 20 gals. Syrup at 50c.; 25 lbs. Raisins, at 12c. Paid Cash, \$4, for repairing counter in store. Student has taken on Private Account, 10 lbs. Figs, at 12c.; 8 lbs. Prunes, at 8c. *Cash sales* \$163.
- 26—Remitted Carr, Chase & Raymond, Boston, a Draft on the First National Bank, in full of their Invoice of the 1st inst., less 4 per cent. discount; paid Cash for Draft and $\frac{1}{4}$ per cent. Exchange. Paid Cash for our Note of Jan. 24th. *Cash sales*, \$119.
- 27—Deposited in Bank, \$875. Paid Alex. Forin, Cash, \$5. *Cash sales*, \$210.
- 28—Received from Ross & Davies, Belleville, an Account Sales of our Shipment to them by Frank Smith & Co., with net proceeds, \$1360, by Draft on Bank, which we leave on deposit. *Cash sales*, \$146.80.
- Inventory of Merchandise unsold, \$768.64. Net Gain, \$1045.89.

NOTE.—As you have completed arrangements for admitting another partner into the firm at the beginning of March and changing from a Retail to a Wholesale business, it is necessary to make out a Balance Sheet, and carry the result of the Loss and Gain Account to the accounts of the partners. As the personal Accounts are too numerous to show on the Balance Sheet, make a separate list of them; and in the Balance Sheet show the total amount of Personal Accounts Receivable on one line, and of Personal Accounts Payable on another.

Close the Books the same as at the end of January, and bring down the balances. Compare the balances brought down with the Resources and Liabilities columns of the Balance Sheet.

REMARKS ON THE THIRD MONTH'S BUSINESS.


A new and important feature in this month is the changing of the business, as noted on page 138, and the introduction of the Sales-Book. The books used after the change of business are, the Journal-Day-Book, Cash-Book, Invoice-Book, Sales-Book, Bill-Book and Ledger. A form of Sales-Book and explanation thereon will be found at pages 141 and 142. The other books are kept the same as heretofore, but without the special Mdse. Column in the Journal.

* The figures, 126, at the left of the comma, denote gross weight and those at the right, 37, tare weight.

The method of using these books as books of original entry has many advantages over consecutive entries in the Day-Book, and is adopted in the majority of large business houses, where it is essential to divide labor and avoid unnecessary writing. For instance, one clerk may keep the Invoice-Book, another the Sales-Book, another the Cash-Book, and each book be so kept that posting may be done directly to the Ledger, instead of passing the transactions through the Journal. The separate departments of a large business may thus receive such special record as will present the facts in the clearest light. Thus, if any particular information is desired respecting purchases, all the facts can be obtained at once from the Invoice-Book; and in the same manner the facts and conditions of sales can be obtained from the Sales-Book, the receipts and disbursements of cash from the Cash-Book, etc.

THE MODERN METHOD OF POSTING DIRECT TO THE LEDGER FROM BOOKS OF ORIGINAL ENTRY.

When acquiring a knowledge of bookkeeping it is necessary for the student to understand the use of the principal books which may be used in an office; hence he should be familiar with the Day-Book, Journal, Cash-Book, Sales-Book, Invoice-Book and Bill-Book; but it does not follow that he will use all of these books in his work. The Day-Book and Journal, which are still used extensively by ordinary merchants and traders, are almost entirely discarded in the offices of large wholesale and manufacturing concerns. In such offices the Ledger—or Ledgers—are posted direct from original entries made in the Cash-Book, Invoice-Book, Sales-Book, etc., or from card vouchers. In very extensive concerns with a multitude of departments or branches, there will be many invoice books, many sales books, and other records, each book being kept by a separate clerk, but the posting to the Ledger or Ledgers will be done by the chief accountant and his assistants.

 The principle of direct posting to the Ledger from books of original entry is applied in this month. You will post from the Invoice (or purchase) Book, Sales-Book and Cash-Book, direct to the Ledger without journalizing.

THIRD MONTH'S BUSINESS.—SET XI.

March 1st, 1908.

We have this day closed our Retail business, and formed a partnership with P. V. Dorland, for the purpose of conducting the Wholesale Grocery and Shipping business, renting from A. Diamond, store No. 96 James Street, at \$800 per annum. Gains and losses to be divided in proportion to capital invested.

P. V. Dorland invests stock of Groceries as per Inventory, \$19500; Cash, \$6000; Store Fixtures, \$620. The firm assumes for him a Note of \$1000, in favor of George Lewis, dated February 28th, at 3 months.

Engaged Thomas Way as accountant at \$900 per year.

- 1—Received from W. Drewry, Cash in full of account. Bought of Rimmer, Gunn & Co., Montreal, on 4 months, 50 cases Valencia Oranges at \$4.50; 50 cases California Oranges at \$3.50; 50 boxes (36 pkgs each) California Seeded Raisins at 11c. per pkg.; 20 kegs Java Coffee, 80 lbs. net each, at 24c.; 50 boxes California Prunes, 3121 lbs. at 9c.; 15 Casks Bordeaux Vinegar, 46 gallons each, at 35c. Sold Smith & Cook, Brockville, on their Note at 60 days, 6 kegs Java Coffee, 473 lbs. at 40c.; 15 bags Extra Flour, at \$2.50; 50 lbs. Tea at 58c. per lb.
- 2—Bought of J. H. R. Molson & Bros., Montreal, on 3 months, 130 bbls. Superfine Flour at \$5.00; 10 boxes "Western Leaf" Tobacco, 115,10; 125,12½; 119,13; 117,11½; 116,12; 115,9½; 118,10; 120,12½; 116,14; 113,10¼ lbs., at 42c. Received of W. Ponton, Cash in full of acct. Sold J. Waltham & Co., Guelph, on account, 20 bbls. Apples, at \$3; 10 bbls. Flour at \$8.*
- 3—Received of R. D. Auglin his Note at 3 months, with interest at 7 per cent. in full of account to date. Bought of J. Morris & Co., on our acceptance at 90 days, 450 barrels Whitefish at \$8.00; 50 barrels Mackerel, at \$6; 1000 lbs. Dry Cod, at \$4.75 per cwt.
- 4—Shipped per G. T. R., and consigned to W. R. Ross & Co., Montreal, to be sold on joint acct. and risk, each equally interested, 250 barrels Whitefish, at \$8.00 per bbl. Paid Cash for repairing Store Fixtures, \$75; Sundry Expenses as per P. C. B., \$24.
- 5—Bought of John Cook, Belleville, on 3 months' credit, 200 barrels Trout at \$5.75; 30 barrels Whitefish, at \$9. Paid Freight \$30. S. G. Beatty, with the consent of his partners, this day disposes of his entire interest in the business to W. B. Robinson for a certain consideration. †Received from V. Hudson, Montreal, to be sold on joint account of shipper and ourselves, ½ each, 780 bbls. Superior Extra Flour, at \$5; paid Charges on same per Cheque on Merchants Bank, \$49.50. Sold Massie & Peterson, on their Note at 2 mos., 390 barrels Superior Flour from Mdse. Co. "A," at \$6.
- 7—Sold S. Moore, James Street, for his Acceptance at 2 months, 50 bbls. Trout at \$6.50; 10 bbls. Whitefish, at \$11; 8 kegs Java Coffee, 658 lbs. at 40c. W. B. Robinson withdrew on account, Cash, \$40.
- 8—Received Cash in full for G. J. Sherry's Note, of Jan. 25th, with interest to date. ‡Sold J. Farmer, McNab Street, for Demand Draft on F. Stinson, Mdse. amounting to \$540. Sold the balance of Flour belonging to Merchandise Co. "A," for \$2370 cash.
- 9—Deposited in Merchants Bank \$7200. Received from J. Wilson, Goderich, to be sold on joint account of shipper, George Moore and ourselves, each ⅓, 1000 barrels Salt, at \$1.50. Paid Freight and Cartage on same per Cheque, \$47.50. Sold R. Eastman, on account, 500 barrels Salt from Mdse. Co. "B," at \$2.20 per barrel.
- 10—"Closed Mdse. Co. "A," and rendered Consignor an Account Sales; our Charges, \$18; Commission 2½ per cent. on sales. Bought of J. M. Hawley, 1000 bush. Wheat at \$1.10; gave in payment Draft at 30 days on R. Eastman for the amount. Paid Freight \$50. Sold N. Boulter for his Note at three months, the balance of Salt belonging to Mdse. Co. "B," at \$2.15 per bbl.

* Accounts are intended to run 30 days, unless otherwise specified.

† Joint Shipments and Merchandise Co.'s are fully explained at pages 116 and 117.

‡ In transactions of this kind, where the articles are not stated, you are required to supply them. See this entry in Sales-Book.

§ Study thoroughly the method of making the Account Sales entry or closing entry of a Mdse. Co., page 116.

- 11—Shipped to P. G. Close & Co., Toronto, to be sold on joint account, 150 boxes Bloom Raisins, at \$3; 125 boxes Layer Raisins, at \$2.40; 75 boxes Valencia Raisins, at \$3.25. Paid Freight on same, \$15.30. Received from W. R. Ross & Co., an Account Sales of our Shipment to them on the 4th inst., our net proceeds, \$1060; for which we received their Note at 4 months.
- 12—Closed Mdse. Co. "B," and rendered Consignor and George Moore each an Account Sales; our Charges $3\frac{1}{2}$ c. per bbl.; Commission $2\frac{1}{2}$ per cent. on sales; remitted net proceeds to each per cheque on Merchants Bank, marked payable at par.
- 14—Remitted J. Wilson our Note at 3 mos. for our interest in Mdse. Co., received the 9th inst. Had Massie & Peterson's Note of the 5th inst. discounted at Merchants Bank, at 7 per cent. per annum. Received of R. Town, Kingston, to be sold on joint account, each equally interested, 800 barrels of Apples, at \$3; paid Charges on same, \$75.
- 15—Shipped John Cook, Belleville, to be sold on our account and risk, 115 barrels Trout, at \$6.25; 20 barrels Whitefish, at \$10; paid Freight on same, \$18.75.
- 16—Had S. Moore's Acceptance of the 7th inst. discounted at Merchants Bank at 7 per cent. per annum. Sold T. Palmer, for Demand Draft on E. T. Hamley, Mdse. amounting to \$1200.
- 17—Sold H. R. Mountain, London, on 30 days' credit, 750 bags Extra Flour, at \$1.45 each; 400 bbls. Spring Flour, at \$3.50; 1000 bbls. Goderich Salt, at \$1.50; 1000 lbs. Dry Cod, at \$5 per cwt.
- 18—Received of John Cook, Belleville, an Account Sales of our shipment to him, on the 15th inst., our proceeds, \$525.50, which he has entered to our credit.
- 19—Paid Sundry Expenses, as per P. C. B., \$26. Remitted Rimmer, Gunn & Co., Draft of Bank of Montreal, in full for their Invoice of the 1st inst., less $2\frac{1}{2}$ per cent. discount; paid Cash for Draft and $\frac{1}{4}$ per cent. Exchange.
- 21—Shipped J. Griffith & Co., Toronto, to be sold on joint account and risk of ourselves, Consignees and A. Brown, each $\frac{1}{3}$, 60 bbls. Sugar, 19040 lbs. net, at 5c.; paid Freight on same, \$44.40.
- 22—Had. R. D. Anglin's Note of the 3rd inst. discounted at Merchants Bank, at 7 per cent. per annum. Sold A. B. Jones, Toronto, for Cash, 5 bbls. Whitefish, at \$11; 48 bags Spring Flour, at \$1.95; 32 bbls. Soft Yellow Sugar, 9656 lbs. net, at 5c.
- 23—J. A. Mathewson & Co., Montreal, and ourselves, have entered into an agreement to buy and sell merchandise on joint account, each firm's interest in such speculation to be equal.
- They now advance us Cash, \$2000, to be invested in Goderich Salt under this agreement.*
- 24—Sold I. C. Chilman, on his Note at three months, 492 bags Extra Flour, at \$1.50; 125 bags Super. Extra, at \$2.58; 57 bbls. Spring Extra, at \$5.
- "—Sold W. H. Graham, for Cash, goods amounting to \$730.
- 25—Received from John Cook his Draft at 30 days, on P. Miles, for \$1000. Received from H. R. Mountain Demand Draft on L. W. Yeomans, for \$100. Received from J. Waltham & Co., Cash in full of account.
- 26—Remitted J. H. R. Molson & Bros., Draft of Bank of Montreal, for their invoice of the 2nd inst., less $2\frac{1}{2}$ per cent.; paid Cash for Draft, and $\frac{1}{8}$ per cent. exchange. Paid Sundry Expenses per P. C. B., \$10.

*This amount has been placed in our hands for investment; we therefore treat it as a loan, and make Cash Dr. to J. A. Mathewson & Co. for it.

27—Had N. Boulter's Note of the 10th inst., discounted at Merchants Bank at 8 per cent. per annum, and proceeds left to our credit. Received Cash in full for M. Lingham's Note of January 24th.

29—*Had our Accommodation Note, at 3 months, drawn to the order of J. W. Parker, and endorsed by him, discounted at Merchants Bank at 7 per cent. per annum, net proceeds of which amount to \$1260. (See Index, "Accommodation Note").

30—Paid our Note of Feb. 11th, favor D. Cheesman & Co., less discount at 8 per cent., for unexpired time.

31—Paid one quarter's rent of store per Cheque, which charge to landlord's account.
MDSE. UNSOLD, \$18225.36. INVENTORY STORE FIXTURES AT THE ORIGINAL VALUE.

Net Gain, \$3256.53.

Post direct to the Ledger, as instructed on page 138.

As this ends the transactions of the third month, and is supposed to end another year, and a partner is about to retire from the firm, you are required to make out a Balance Sheet. Close all the Accounts in the Ledger, and bring down the balances as heretofore. It will be necessary to take clerks wages into consideration, and also credit the landlord with one month's rent now due. After you take off the Balance Sheet and close the Ledger, compare the balances brought down with the Resources and Liabilities columns of the Balance Sheet.

SALES-BOOK—SET XI.

This book contains all the regular sales, either for cash or on time; the *Cash Sales*, being added in the inner columns, are not included in the amount for which Merchandise is credited from the Sales-Book. Cash Sales are posted from the Cash-Book. The Sales-Book may be journalized in a similar manner to the Invoice-Book, under the heading "Sundries Dr. to Merchandise," or may be posted direct to the Ledger; the latter is the modern method, which you will adopt. Many business houses make their invoices in copying ink, or on the typewriter, and copy them by the copying press process into a book, and thereby constitute a Sales-Book. Perfect harmony between the invoice sent to the customer and the charge made in the seller's books is effected by this method. Retail merchants follow a similar plan in using carbon paper to secure a duplicate of the bill given to the customer, from which they make the charge to the customer's account.

*You are required to find the face of this Note. Remember in this case you are borrowing upon a Bill Payable, not on a Bill Receivable. See Index, "Discounting Notes and Entries."

SALES-BOOK.

If posted
direct put
Ledger Folio
here

Hamilton, March 1st, 1908.

Marks Nos. S. & C.	✓	SMITH & COOK, <i>Brockville, Ont.</i> 6 kegs Java Coffee, 473 lbs. at 40c. 15 bags Extra Flour, at \$2.50. 50 lbs. Tea at 58c.	189 20 37 50 29 00			255 70
		<i>Note at 60 days.</i> 2				
	✓	J. WALTHAM & Co., <i>Guelph.</i> 20 bbls. Apples, at \$3. 10 " Flour, " \$8 <i>30 days Credit.</i> 7	60 00 80 00			140 00
	✓	S. MOORE, <i>James Street.</i> 50 bbls. Trout, at \$6.50. 10 " Whitefish, at \$11. 8 kegs Java Coffee, 658 lbs. at 40c.	325 00 110 00 263 20			698 20
	C.B.	<i>Acceptance at 2 Months.</i> 8				
		J. FARMER, <i>McNab Street.</i> 8 bbls. Strong Bakers' Flour, at \$3.25. 12 " Spring " " " 5.00. 28 " Extra, " " " 5.00. 50 " Manitoba " " " 4.35. 10 " Salmon Trout, " 8.00. 2 " Whitefish " 7.50. 2 lbs. Y. H. Tea, " .75.	26 00 60 00 140 00 217 50 80 00 15 00 1 50			
	C.B.	<i>Demand Draft.</i> 22	540 00			
		A. B. JONES, <i>Toronto.</i> 5 bbls. Whitefish, at \$11.00. 48 bags Spring Flour, at \$1.95. 32 bbls. Soft Yellow Sugar, 9656 lbs. at 5c.	55 00 93 60 482 80			
		<i>Cash.</i>	631 40			
		*Total Sales on time, Journal page, or Ledger page—†				1093 90

FOURTH MONTH'S BUSINESS—SET XI.

April 1st, 1908.

J. W. Dickie has this day retired from the business, selling his entire interest to the remaining partners at a discount of 10 per cent. from his net worth. Paid him half Cash and balance in Notes at 6, 9, and 12 months for equal amounts.

Bought of Rimmer, Gunn & Co., on 30 days, 17 kegs Java Coffee, 1348 lbs. net, at 30c.; 40 kegs Jamaica Coffee, 2646 lbs., at 29c.; 30 kegs Ceylon Coffee, 2209 lbs., at 27c.; 132 bbls. Granulated Sugar, 40,000 lbs. net, at 5½c.; 260 bbls. Dry Crushed Sugar, 78800 lbs. net, at 5½c.; 540 cases Valencia Oranges, at \$4.50; 100 boxes Valencia Raisins, 2845½ lbs., at 6c. Paid Freight on same, \$104.25.

NOTE.—The above Sales-Book is merely given as a form, and is not supposed to contain the entries in their order.

* Red Ink.

† This total must be carried to the credit of Mdse. at once, and each sale debited direct without Journalizing. See page 138.

- 2—Sold S. E. Shibley, for Cash, 10 casks Bordeaux Vinegar, 50 gals. each, at 35c.; 9 bbls. Golden Syrup, 43, 47, 46, 41, 45, 43, 49, 42, 40 gals., at 40c.; 7 bbls. Standard Syrup, 37, 39, 42, 46, 44, 38, 31 gals. at 39½c.; 10 boxes California Raisins, 358 lbs., at 13c.; 500 lbs. Dry Cod Fish, at \$5 per cwt.; 60 bbls. Bakers' Flour, at \$5.
- 4—Paid Cash for Sundry Expenses as per P. C. B., \$16.50; S. Edsall, on acct., \$15. Sold W. Ponton, on his Acceptance at 30 days, 12 boxes P. of Wales No. 1 Tobacco, 120, 118, 117, 119, 114, 116, 117, 121, 120, 122, 119, 118 lbs. gross, tare 20 lbs. each, at 31c.; 9 half-chests Y. Hyson, "Chinaman" No. 142—75, 73, 71, 70, 69, 74, 67, 71, 69 lbs. gross, tare 15 lbs. each, at 90c.; 5 half-chests Tea "Congou," 68, 72, 74, 73, 71 lbs. gross, tare 15 lbs. each, at 60c. Sold R. Gordon for Cash, goods amounting to \$850.
- 5—Received from John Cook, Belleville, for sale on joint acct. and risk, each half, 1200 lbs. Cheese, at 11c.; paid charges on same, \$10.50. Had Conger Bros.' Note of Feb. 14th discounted at Merchants Bank, at 7 per cent. for unexpired time; discount \$——; Cash received \$——. Paid A. Overell on acct., \$14; A. Forin, \$10; S. Edsall, \$5.
- 6—Sold A. M. Foster, for Cash, from Mdse. Co. "C," 10 bbls. Apples, at \$4; from Mdse. Co. "D," 600 lbs. Cheese, at 12½c. Paid sundry items of expense, as per P. C. B., \$15.50.
- 7—Had W. Ponton's Acceptance of the 4th inst. discounted at Merchants Bank at 7 per cent. for unexpired time; discount \$——; Cash received \$——. Sold W. Bristol for Cash, from Mdse. Co. "D," 400 lbs. Cheese at 12½c. Paid Gas Bill, \$11.90.
- 8—Received from P. G. Close & Co., Toronto, an Account of Sales of the Raisins shipped them on the 11th ult., accompanied by a Draft on the Bank of Montreal for \$1131.25, being payment of their half interest charged when goods were shipped, and our net proceeds.
- 9—Bought of Sinclair, Jack & Co., Montreal, on 30 days, 11 half-chests Colored Japan Teas, 60, 64, 71, 70, 65, 68, 72, 73, 77, 74, 71 lbs. gross, tare 15 lbs. each, at 60c.; 21 half-chests Gunpowder Tea Nos. from 114 to 135—55, 68, 74, 71, 73, 72, 71, 69, 68, 67, 64, 69, 73, 72, 71, 70, 72, 73, 68, 66, 70 lbs. gross, tare 14 lbs. each, at 66c. Paid Freight on above, \$19.50. Sold for Cash from Mdse. Co. "D," 200 lbs. Cheese, at 12½c.
- 11—Closed Mdse. Co. "D" and rendered John Cook an Account of Sales. Our charges for Drayage, \$3. Commission, 3½ per cent. Sold A. Henry, for Cash, goods amounting to \$1500.
- 12—Paid a drayman \$5 for carting from store remainder of the Apples belonging to Mdse. Co. "C," they having all decayed on account of exposure. Sold H. Armstrong, for Cash, goods amounting to \$2,100. Deposited in Merchants Bank, \$2,000.
- 13—Sold John Cook, Belleville, on his Acceptance at 30 days, 50 boxes California Prunes, 1238 lbs., at 15c. Sold W. R. Muir, for Cash, Tea amounting to \$2,150.
- 14—Had our stock of Goods insured in the Imperial Insurance Co. for \$20,000, at 2 per cent.; paid Premium per Cheque. *Rendered R. Town, Kingston, a statement of the Apples received on the 14th ult., for sale on joint account, and remitted the amount due him per Cheque. Sold W. R. Barber, for Cash, goods amounting to \$2,500.
- 15—Remitted Rimmer, Gunn & Co., Draft of the Bank of Montreal for the amount of their invoice of the 1st inst., less 3 per cent.; paid Cash for Draft and ½ per cent. exchange.
- "—Bought of A. Urquhart & Co., on our Acceptance at 60 days, 80 casks Bordeaux Vinegar, 50 gals. each, at 30c.; 50 do. Amber Syrup, 44 gals. each, at 69c.; 96 bbls. Granulated Sugar, 28800 lbs. net, at \$5 per cwt. Paid for Sundry Expenses, as per P. C. B., \$13.50.
- 16—Had John Cook's Acceptance of the 13th inst. discounted at Merchants Bank, at 7 per cent. for unexpired time, and net proceeds left to our credit. Sold Chas. Smith, for Cash, goods amounting to \$1,500. Received from S. Thompson, Cash in full for his Note of February 13th. Sold F. Dixon, for Cash, goods amounting to \$2,150.

- 18—Shipped per steamer "Passport," and consigned to W. Bannan & Co., Toronto, to be sold on joint account and risk, each $\frac{1}{2}$, 800 bbls. "Extra Superfine" Flour, at \$3.25; 300 bbls. "Spring Extra," at \$3; 500 bbls. "Strong Bakers," at \$2.95. Paid Insurance on same, \$30. Sold L. Tracy, for Cash, a bill of goods amounting to \$750.
- 19—Remitted Sinclair, Jack & Co., a Draft of the Bank of Montreal, for the amount of their invoice of the 9th inst., less 3 per cent. discount; paid Cash for Draft and $\frac{1}{8}$ per cent. Exchange.
- "—Bought of Geo. Flower, on our Note at 3 months, 50 bbls. Salmon, at \$6.75. Sold C. W. Raney, for Cash, goods amounting to \$1,850.
- 20—*Called upon H. R. Mountain, London, to effect a settlement; found him unable to pay his indebtedness, and compromised for 75c. in the dollar; received Note against George Ritchie for \$1,200, dated February 1st, at 3 months, and Cash for the balance.
- 21—Had Geo. Ritchie's Note, received 20th inst., discounted at Merchants Bank, at 7 per cent. for unexpired time, and net proceeds left to our credit.
- 22—Paid our Note of the 19th inst., favor of Geo. Flower, less discount at 10 per cent. for unexpired time; discount off \$—; amount paid per Cheque, \$—.
- 24—Sold W. R. Barber, for Cash, goods amounting to \$850. Deposited in Merchants Bank, \$1,000.
- "—Bought of J. Wilson, Goderich, on our Acceptance at 30 days, 300 bbls. Salt, at \$1.75; 200 bbls. Mess Pork, at \$16.
- 25—W. Bannan & Co. have this day returned, with our consent, the whole of the Flour shipped them on the 18th inst. Charges paid by them, as per statement, \$30; both firms to bear the loss of \$30 each.
- "—Sold John Cook, Belleville, on acct., 7 cases Bordeaux Vinegar, 38, 36, 39, 42, 41, 43, 40 gals., at 33c.

The total value of R. Town's goods was.....	\$2400 00
Amount sold.....	40 00
	<hr/>
	\$2360 00
Charges paid.....	\$ 75 00
" ".....	5 00
	<hr/>
	80 00
Total loss.....	2440 00
Your loss, $\frac{1}{2}$ =	\$1220 00

The Account Sales entry is

Loss & Gain Dr.....	1220 00	
R. Town ".....	1200 00	
To Mdse. Co.....		1240 00
" Bank		1180 00

Or, it may be made thus:

Loss & Gain Dr.....	1220 00	
R. Town	20 00	
To Mdse. Co.....		1240 00
and		
R. Town Dr....	1180 00	
To Bank.....		1180 00

*The method of writing off debts wholly bad will be found further on. See Index.

- 27—Received from P. Miles, Cash in full for his Acceptance of the 25th ult. Sold Geo. Wallbridge, for Cash, Tea amounting to \$1,120. I. C. Chilman & Co. have failed, and are able to pay but 60c. in the dollar; accordingly, we have received from the Assignee 60 per cent. of the Note we held against them in Cash; lost the balance.
- 28—Bought from John Templeton, for Cash, 2,000 bbls. Goderich Salt, at \$1.75, and shipped the same to J. A. Mathewson & Co., Montreal, for sale on joint account; paid Insurance on same, \$79.50.
- 29—Through a disastrous fire last night our stock of goods was entirely consumed; nothing saved but the books and other papers kept in the safe.
- 30—J. P. Thomas, agent for the Imperial Insurance Co., in which we were insured, has promptly adjusted the loss, by giving us the Company's Cheque for \$20,000, amount of Insurance; for which we make Cash Dr. to Mdse.

Note.—The Subject of Insurance (Fire, Life, Character, and Marine) is fully dealt with further on. See Index.

At a meeting of the partners, it has been mutually agreed that the business shall be liquidated, and the partnership dissolved.

After posting the entries direct to the Ledger from the Cash-Book, Invoice-Book and Sales-Book, journalize to the credit of the clerks their salaries to date, and credit the landlord with one month's rent now due, by journal entry, and post these journal entries.

In order to effect a liquidation, discount all Bills, both payable and receivable, at 7 per cent. On overdue paper receive and pay for interest at the rate of 6 p.c. if no rate is mentioned. There are two Shipment Co.'s from which no Account Sales has been received. Receive an Account Sales from each with proceeds sufficient to show a gain of \$50 on each, and make the necessary Journal entries. Take off a Balance Sheet showing the condition of the business. Deal with Loss and Gain, balance the Accounts and bring down the balances. Next proceed to wind up the business. *Collect all accounts owing you, and pay off all liabilities, including the partners, through the Cash-Book. When you have posted these Cash entries to the Ledger the business will be wound up and the books closed.

Net Loss, \$1,489.50.

* Remember that the sum of the Resources always equals the sum of the Liabilities and the Capital; so if you turn all your resources into cash, you will have a sum sufficient to pay off all liabilities and pay the partners their capital. If a business is insolvent, the sum of the liabilities equals the sum of the resources and insolvency.

- SET XII.

EXECUTORS' OR ADMINISTRATORS' ACCOUNTS.

An Administrator is a person appointed by the judge of a Surrogate Court to settle the affairs of an intestate—that is, a person dying without a will. His duties are specially described by the statutes, and pertain, first, to the liquidation of outstanding debts and collection of amounts due the estate. Next, to the proper distribution of net assets among the heirs or their legal representatives. That the position is a responsible one may be inferred from the fact that the administrator is liable to those for whom he acts to the amount of property or assets which he has in trust, and is required by law to give bonds with responsible sureties for twice that sum. *None should accept the responsibility without careful consideration.

So far as the accounts are concerned they do not differ much in principle from those of an agent or single proprietor, except that in intent and scope they refer to liquidation. It very often occurs, however, that in the discharge of his duties, an Administrator may increase the value of the property held, or circumstances may depreciate it. The accounts should be kept so as to show such gains or losses and their causes.

In this Set you will keep neither Cash-Book nor Cash account in the Ledger, but deal in cash transactions entirely with the Bank. You will deposit all cash received in the Bank, make the Bank debtor to the account for which the money is received. You will make all payments by cheque, crediting the bank and debiting the account for which it is paid.

The opening Journal entries are :

Sundries (Resources) Dr. to Smith's Estate.

and

Smith's Estate Dr. to Sundries (Liabilities).

The difference between the sums debited and credited to Smith's Estate is its value (or worth) when you assume the functions of Administrator.

ADMINISTRATOR'S FORM.—SET XII.

Belleville, Oct. 1st, 1908.

(Student's name), this day having received letters of administration, enters upon the duties of Administrator for the Estate of John Smith, deceased, and is to pay off all just liabilities and necessary expenses, and after deducting commission, divide the remainder among the nine heirs in such proportion as the law provides.

*The difference between an Administrator and an Executor is, that the latter is appointed in the will by the testator, and is not required to give security; the former is appointed by the court, and is required to give security as stated above.

The following is a list of such RESOURCES and LIABILITIES as can, at this time, be ascertained :

RESOURCES.

W. Jones owes on acct., \$60; Thomas Gibertson, \$37.50; George H. Dean, \$78; N. W. Phillips, \$54; W. Sutherland, \$50; L. H. Bottoms, \$32; W. Graham, \$45; John S. Miller, \$75; A. L. Geen, \$28; W. A. Ostrom, \$52. NOTES, all payable on demand—William Lacy's for \$250, dated January 1st, 1907, at 6 per cent. interest; W. H. Stinson's for \$100, dated August 14, 1907, at 7 per cent.; A. Overell's for \$28, dated September 1st, 1908, at 8 per cent. Interest due on above Notes to date, \$—. Farm, as per valuation, \$4,000; Farming Implements (as per Schedule A), \$400; Live Stock, as per valuation (Schedule B), \$500; Furniture, as per valuation (Schedule C), \$250; Deposit in Merchants Bank, \$302; Deposit Receipt, Bank of Montreal, \$1,000, dated January 1st, 1908, at 4 per cent. interest; Mortgage from Thos. Jones, \$400, dated March 1st, 1906, bearing 8 per cent. interest, payable half-yearly; interest due on same from Sept. 1st, 1908, \$—. 10 shares of Moira Cheese Factory Stock, par value \$20 per share. Total Resources, \$8,008.37.

LIABILITIES.

- L. W. Yeomans & Co., on acct., \$50; G. C. Holton & Co., \$25; J. S. Meudell, \$28; John Lewis, \$18. NOTES—Favor Robertson & Henry, \$50, dated July 1st, 1908; John Cook, \$35, dated August 1st, 1908. Total Liabilities, \$206.
- 3—Paid Lewis Roenigk, undertaker's bill, per Cheque, \$50; paid Probate and Lawyer's fees, per Cheque, \$25; paid Mrs. J. Smith, for house expenses, per Cheque, \$25.
 - 5—Received for Live Stock sold by auction, \$600, less 1 per cent. for auctioneer's fees, paid to A. Keys; paid for advertising sale in the *Intelligencer* and *Ontario*, \$10; deposited in Bank, \$—.
 - 7—Collected the following accounts : Thomas Gibertson, \$37.50; George H. Dean, \$78.
 - 8—Paid L. W. Yeomans & Co., in full of acct., \$50; J. S. Meudell, in full of acct., \$28, per Cheque.
 - 9—Paid G. C. Holton & Co., in full of account per Cheque.
 - 10—The following amounts owed by the Estate were not enumerated in the original list : W. Johnson, \$15; J. H. Hambly, \$12.
 - 12—Received Cash in full for the following accounts : W. Jones, \$60; N. W. Phillips, \$54; L. H. Bottoms, \$32; deposited amount in Bank.
 - 13—Mrs. John Smith assumes the furniture (as per schedule C), at valuation, \$250.
 - 14—Transferred the 10 shares Moira Cheese Factory Stock to William Adams at 5 per cent. premium; deposited amount received in Bank.
 - 15—Sold the Farm to John Smith, jr., son of deceased, at valuation, also sold him the Farming Implements (Schedule A), for \$400; received Cash (deposited), \$4,000; balance on account. Paid Mrs. Smith for house expenses, \$25; on private account, \$20, per Cheque.
 - 16—Received Cash for the following notes and interest on same to date : W. Lacy's, \$250; W. H. Stinson's, \$100; deposited amount in Bank.
 - 17—Assigned to Mrs. John Smith, Thomas Jones' Mortgage; Interest accumulated on same to date, \$—. Received payment for the following accounts: W. Sutherland, \$50; W. Graham, \$45; A. L. Geen, \$28; deposited amount in Bank.

- 19—A. Overell paid his note with interest to date, \$——. Received from J. S. Miller in full of account, \$75; deposited in Bank.
- 21—Paid John Lewis and William Johnson in full of acct. per Cheque.
- 22—Paid note in favor of Robertson & Henry per Cheque.
- 24—Paid Thomas Smith on account, per Cheque, \$50; paid note in favor of John Cook per Cheque.
- 26—Compromised with W. A. Ostrom for the amount of his indebtedness; he having produced a Receipt of \$20 on the account, from the late John Smith, I accept \$32 in full settlement. Received Cash for Deposit Receipt from Bank of Montreal, with interest to date, and deposited amount in Merchants Bank. Paid J. H. Hambly in full of account, per Cheque, \$12. Appropriated for my services as Administrator, \$150, per cheque.

TO THE STUDENT.—You will now post the Journal entries to the Ledger, take off a Combined Statement (see form page 86) which will show the undivided interest of the heirs. Having completed the work of converting resources into cash, and paying off liabilities, you will now credit, by a Journal entry, the heirs with their respective interests. The widow will have $\frac{1}{3}$ of the net proceeds of the estate, and each of the other heirs $\frac{1}{8}$ of the remainder.

You will next make the necessary Journal entry for closing the accounts, which will be to pay off all the heirs per cheque.

Loss, \$175.84.

SET XIII.

*MANUFACTURING BUSINESS.

Before you begin this set, read over the five pages, "Printers', Publishers' and Binders' Bookkeeping"—see Index; also the paragraphs under the head of Plant Account. See Index.

Books used—DAY - BOOK, CASH - BOOK, BILL - BOOK, TIME - BOOK and LEDGER.

The Day Book and Time Book to be used in this Set are explained, and a form of each given, immediately after the record of transactions. Use the form of Cash Book adopted on pages 134 and 135.

Belleville, April 1st, 1908.

Student and A. M. Spafford have this day rented the Dominion Foundry, together with all its Machinery, Fixtures, etc., as shown per Schedules "A," "B," "C," and "D," from A. R. Patterson, at \$2,000 per year, for the purpose of carrying on business as defined in their Articles of Co-partnership of this date. Each partner is to be allowed interest at 8 per cent. on the amount invested, and charged at the same rate on sums withdrawn. Gains and losses to be shared equally. †

* See also "Manufacturing Accounts."

† Read "Remarks on the distribution of Gains and Losses in Partnerships" at page 102.

STUDENT INVESTS: Cash, \$8,500; Note against James Brown, dated December 11th, 1907, at 4 months, for \$2,000. A. M. Spafford invests, Cash, \$12,000; Note against Peter Williams, dated October 21st, 1907, at six months, with interest at 8 per cent., for \$1,500; interest accrued on same, \$54; an accepted Draft on F. J. Dickson, dated March 24th, 1908, at 30 days, for \$1,000. Paid for a set of books, \$21.40.

2—Bought of A. R. Patterson his entire stock of manufactured implements, iron, etc., amounting, as per inventory, to \$15,500, and 100 cords of wood, at \$.5. Gave in settlement our four Notes at 3, 6, 9 and 12 months, for \$4,000 each. Engaged Irwin Foster as accountant, at \$800 per year; John Davis as foreman of the Finishing Shop, at \$2.75 per day; Geo. Abrahams, as foreman of the Moulding Shop, at \$2.50 per day; Alexander Winters, Blacksmith, at \$2.25 per day; Robert Jones, Wm. West, Henry Darnley, Stephen Post, Warner Potts, Isaac Raming, George Everett, Samuel Lynn, Thomas Petre, Arch. Ewing and David Liddell, at \$1.50 each per day; A. M. Fraser, S. H. Hudson and P. M. Grass, at \$1.25 per day; Wm. Stoneberg as Engineer, at \$1.75 per day; and Thos. Roberts, James Long and W. H. Spring, at \$1.20 per day. Services to commence on the 4th.

4—Made arrangements with W. A. Foster & Co. to supply machinery for a new mill, which they are about to erect; also with W. W. Jones & Co., and A. S. Page & Co. to supply and repair machinery, as specified in the written contract. Sold M. R. Coleman, for Cash, 1 Double Crook Hurlburt Plow, \$15; 1 Scotch Canadian do., \$12; 1 Ten-horse Power and Rods for same, \$100; 1 Maple Leaf Cooking Stove and Trimmings, \$32. *Robert Abrams, who is acting as agent for the sale of our implements, has this day received 7 Scotch Canadian Plows, at \$10; 4 Mohawk Valley Clipper do., at \$9; 6 Double Crook Hurlburt do., at \$12. Foreman reports all hands a full day. Entered on Time Sheet (see page 158).

5—Bought of Frothingham & Workman, Montreal, on acct., Round Bar Iron, amounting, as per invoice, to \$490. Paid Freight on above \$27.40.

“—Bought of W. & F. P. Currie & Co., Montreal, on acct., Pig Iron, amounting, as per invoice, to \$950. Paid Freight and Cartage on same, \$35.70.

FOREMAN'S REPORT—Lost time: $\frac{1}{2}$ day, Winters; $\frac{1}{4}$ day, Raming; $\frac{1}{2}$ day, Post; $\frac{1}{2}$ day, Darnley; and $\frac{1}{2}$ day Davis. Work to be charged A. S. Page & Co., 5 hrs., Winters; 2 hrs., West; 7 hrs., Everett, drilling and dressing spiders, at \$4 per day.†

6—Delivered per order of our agent, Robert Abrams, 2 Reynolds' Water Wheels, at \$68; 1 Sellick's do., \$90; 2 Leffel's do., at \$125.

Sold Wm. Cook, for Note at 3 months, 1 Wood's Mowing Machine, \$75; Reaping Attachment for same, \$25; 2 Steel Plows, at \$10. Paid Sundry Expenses, as per P. C. B., \$4.20. Student withdrew on acct. \$150.

FOREMAN'S REPORT—Lost time: Isaac Raming, reported sick; Warner Potts, $\frac{1}{4}$ day; and S. Post, $\frac{1}{2}$ day. Extra work for W. A. Foster & Co., 6 hrs., Davis; 2 hrs. Liddell, and 2 hrs. Ewing, fitting and finishing Binding Rollers; 8 hrs. West, cutting off 7-inch Hammered Shaft; 5 hrs. Lynn, and 4 hrs. Darnley, cutting at Bolts, \$4 per day of 10 hrs.

7—Delivered to W. W. Jones & Co., 2 Steam Engines, 45 H.P., at \$800; 1 Shingle Mill, \$100; 2 Feed Rollers with Gear and Shafts; 2 Binding Rollers and Shafts; 1 Spider for $5\frac{1}{2}$ in. Shaft—weight, as per memorandum given them, 1,680 lbs., at 8c.; 15 pcs. Maple Scantling, 600 feet, at 3c. A. M. Spafford withdrew on acct. \$100.

*As Mr. Abrams has taken these implements away from the shop, charge him with them the same as though he actually bought them, and give him credit for anything he may return, or pay; and when the final settlement is made with him, commission acct. will be made Dr. to him for his commission.

†The hands who are not reported by the foreman, under the lost time, are credited each evening in the Time-Book with a full day, and all others with the time they have worked. (See form page 158). Extra work, repairing machinery, etc., is charged to the parties for whom it is done with the men's time at from \$3 to \$5 per day (each day 10 hours), according to the machinery used and the men required to perform the work. Observe this entry in the form of Journal.

- 7—Had Wm. Cook's Note of the 6th inst., discounted at Bank of Montreal at 7 per cent. and net proceeds left to credit.
- FOREMAN'S REPORT—Lost time: Robert Jones, $\frac{1}{2}$ day; William West, $\frac{1}{4}$ day; and Isaac Raming, 1 day. Extra work for W. W. Jones & Co., 5 hrs. Liddell, and 7 hrs. Ewing, cutting off and dressing Hammered Shaft; 5 hrs. Petre and 3 hrs. Lynn, cutting off and fitting a 3-inch Shaft; 5 hrs. Everett, and 2 hrs. Davis, on old Pulley, at \$4 per day.
- 8—Bought of Frothingham & Workman, for Cash, 12 sheets Boiler Plate, 6x3x $\frac{1}{4}$, 2,116 lbs., at 5c. Received from Robert Abrams cash on account, \$200. Paid for painting and papering office, \$30.
- FOREMAN'S REPORT—Lost time: G. Everett, $\frac{1}{4}$ day; Isaac Raming, absent; W. Potts, $\frac{3}{4}$ day. Extra work for A. S. Page & Co., 6 hours Jones and 2 hours West, taking length of pipe; 1 day Darnley and 7 hours Post, on old Shaft, at \$4 per day.
- 9—Received from W. W. Jones & Co., their Note at 3 months from this date for amount of machinery delivered to them 7th instant. Paid sundry expenses, as per P. C. B., \$10. *Remitted Frothingham & Workman Draft of the Bank of Montreal for the amount of their invoice of 5th inst., less discount of 3 per cent.; paid Cash for Draft and $\frac{1}{8}$ per cent. exchange. A. M. Spafford withdrew on account, \$250.
- FOREMAN'S REPORT—Lost time: A. Winters, $\frac{3}{4}$ day; R. Jones, $\frac{1}{2}$ day; I. Raming, sick; W. West, $\frac{1}{4}$ day. Extra work for A. S. Page & Co., 2 hours Winters, 5 hours Jones, 5 hours West, 1 day Darnley, 1 day Ewing, on Wooden Rollers, at \$4 per day. Paid hands cash in full for services, as per Time-Book.
- 11—Had W. W. Jones & Co.'s Note of the 9th inst. discounted at Bank of Montreal, at 7 per cent. per annum, and net proceeds left to credit. Shipped to Shannonville, per order of Robert Abrams, 3 Side Hill Plows, at \$9; 10 Double Crook Hurlburt do., at \$12; 12 Mohawk Valley Clipper do., at \$9.
- FOREMAN'S REPORT—Lost time: Robert Jones, $\frac{1}{4}$ day; W. West, $\frac{1}{2}$ day. Extra work for W. A. Foster & Co., 2 $\frac{1}{2}$ hours Potts, on Collars; 8 hours Raming, 3 $\frac{1}{2}$ hours Everett, 4 hours Lynn, on Stave Machine, at \$4 per day.
- 12—Delivered to W. A. Foster & Co., 1 Arch Door and Frame, 126 lbs., at 5c.; 5 Arch Bolts, 22 lbs., at 5c.; 5 pieces Cast Pipe, 480 lbs. at 7c.; 15 Marking Hammers, at \$1; 4 Roller Shafts (2 $\frac{1}{2}$ inch), 376 lbs., at 7c.; 4 Cast Rollers, 1,348 lbs., at 7c.; 1 Hammered Shaft, 1,322 lbs., at 13 $\frac{1}{2}$ c.; 66 lbs. Washers, at 7c. Sold W. R. Coleman, on account, 1 Cumming's Straw Cutter, \$25; 1 Circular Saw Carriage, with head blocks, \$400.
- FOREMAN'S REPORT—Lost time: Winters, $\frac{3}{4}$ day. Extra work for A. S. Page & Co., $\frac{1}{4}$ day blacksmith and helper, at \$5; 4 hours Darnley and 8 hours Post, on old Boiler, at \$4 per day.
- 13—Received from W. A. Foster & Co., their Note at 3 months for amount of machinery delivered 12th inst; had above Note discounted at Bank of Montreal, at 7 per cent.; proceeds left to credit. *Remitted W. & F. P. Currie & Co., Draft of Bank of Montreal in full for their invoice of the 5th inst., less 2 $\frac{1}{2}$ per cent.; paid for Draft and $\frac{1}{8}$ per cent. Exchange per Cheque.
- FOREMAN'S REPORT—Men all put in full time. Extra work for W. A. Foster & Co., 1 day Fraser, 8 hours Hudson, 7 $\frac{1}{2}$ hours Grass, on Wooden Rollers at \$3 per day.
- 14—Delivered by order of Robert Abrams, at Madoc, 14 Scotch Canadian Plows, at \$10; 10 Side Hill do., at \$8; 4 Maple Leaf Cooking Stoves, at \$30. Bought of The Abbott-Mitchell Co., Belleville, on our acceptance at 10 days, invoice of bar iron amounting to \$1,200.

* These entries are explained under the heading, "Remitting by the medium of a Bank Draft." See Index.

FOREMAN'S REPORT—Lost time : Winters, $\frac{1}{2}$ day; Liddell, $\frac{1}{4}$ day; Ewing, $\frac{1}{4}$ day; and Petre, $\frac{1}{2}$ day. Extra work for W. W. Jones & Co., 5 hours blacksmith and helper, 7 hours Jones and 4 hours West, on connecting Boilers, at \$4 per day.

15—Received Cash in full for James Brown's Note of Dec. 11. Received from Robert Abrams, on account, J. Johnson's Note for \$250, dated April 12th, at 3 months, with interest at 8 per cent. Sold W. R. Coleman, on account, 1 Iron Horse Power (for 2 horses), \$30; 1 Band Wheel for same, \$5; 1 Steel Plow, \$12.

Having become dissatisfied with our blacksmith, A. Winters, we have paid him in full, including to-day, and discharged him.

FOREMAN'S REPORT—Lost time: Liddell, $\frac{1}{2}$ day; Ewing, $\frac{1}{4}$ day; Long, $\frac{1}{4}$ day; and Spring, $\frac{1}{2}$ day. Extra work for A. S. Page & Co., 1 day Roberts, 6 hours Long, 4 hours Spring, on Wooden Rollers, at \$3 per day.

16—Received from A. S. Page & Co., their Note at 3 months, for the following machinery delivered to-day: 4 Saw Arbors ($2\frac{1}{2}$ inch), with Pulleys and Collars, 354 lbs. at 8c.; 4 Bevel Wheels ($2\frac{1}{2}$ inch), Shaft and Pinions on same, 738 lbs. at 8c.; 4 Pillar Blocks for $5\frac{1}{2}$ inch Shaft, and 4 do. for 7 inch Shaft, 2,738 lbs. at 8c.; 1 Hammered Shaft, 7 inch, 1,490 lbs., at 12 $\frac{1}{2}$ c.

Had J. Johnson's Note of 12th inst., discounted at Bank of Montreal, at 7 per cent., and proceeds left to credit. Bought of Frothingham & Workman, Montreal, on account, invoice of Bar Iron amounting to \$1,500. Paid Freight on same, \$53.20.

FOREMAN'S REPORT—Lost time: Grass, $\frac{1}{2}$ day, and Hudson $\frac{1}{4}$ day. Extra work for W. A. Foster & Co., 8 hours Jones, 2 hours West, 6 hours Darnley, and 7 hours Post, on Connecting Rods, at \$4 per day. Paid our hands in full as per Time-Book.

18—Robert Abrams has returned 1 Reynold's Water Wheel, \$68, sent him 6th inst., and 5 Double Crook H. Plows, at \$12. Bought of W. & F. P. Currie & Co., Montreal, on account, Scotch Pig Iron, amounting, as per invoice, to \$850. Paid Freight on same, \$57.60. Engaged Peter Huff, Blacksmith, at \$2 per day, services to commence to-morrow.

FOREMAN'S REPORT—Lost time: Lynn $\frac{1}{2}$ day. Extra work for A. S. Page & Co., 4 hours Post, 6 hours Everett, 2 hours West, and 1 hour Davis, on Connecting Rods, at \$4 per day.

19—Received from W. W. Jones & Co., their Note at 3 months for the following machinery delivered to-day: 2 Steam Boilers, 14 x 5 feet, at \$1,500; 2 Globe Check Valves ($2\frac{1}{2}$ in.), at \$5; 4 Globe Check Valves, at \$3.30; 2 Butting Chains, 240 lbs., at 12c.; 2 Sawdust Grates, 174 lbs., at 8c. Received from Robert Abrams, Cash on account, \$100.

FOREMAN'S REPORT—Lost time: Jones $\frac{1}{4}$ day. Extra work for A. S. Page & Co., 8 hours Liddell, 1 day Ewing, 1 day Petre, 5 hours Davis, on Connecting Rods, at \$3.50 per day; 4 hrs. Darnley, 8 hours Post, and 5 hours blacksmith and helper on pumps and connections, at \$4 per day.

20—Had A. S. Page & Co.'s Note of the 16th inst. discounted at Bank of Montreal at 7 per cent. Discount \$—. Cash received \$—. Shipped per order of R. Abrams, 4 Reynolds' Water Wheels, at \$75; 6 Sellick's do., at \$100; 1 Excelsior Horse Power, \$80.

FOREMAN'S REPORT—Lost time: D. Liddell and A. Ewing each 1 day; T. Petre $\frac{1}{4}$ day. Extra work for W. A. Foster & Co., 4 hours Davis, 7 hours Jones, 1 day West, and 1 day Darnley, on Connecting Rods, and Keys for same, at \$4 per day.

21—Had W. W. Jones & Co.'s Note of the 19th inst. discounted at Bank of Montreal at 7 per cent. Discount \$—. Cash received \$—. Remitted W. & F. P. Currie & Co., Montreal, Bank Draft for amount of their invoice of 18th inst., less $2\frac{1}{2}$ per cent. discount; paid Cash for Draft and $\frac{1}{2}$ per cent. exchange.

FOREMAN'S REPORT—Lost time : D. Liddell and A. Ewing absent all day. Extra work for W. A. Foster & Co., 1 day blacksmith and helper, \$5; 7 hours Post, 4 hours Jones, 6 hours Petre, on Connecting Rods, at \$4 per day.

22—*Paid D. Liddell and A. Ewing in full for services to date, including to-day, and discharged them. Received from R. Abrams, on account, W. T. Heaslip's Note at 3 months for \$500. Paid John Davis, foreman, \$10 on acct.* Sold Gilmour & Co., for Cash, 2 Steam Engines, 14x16, with Heaters and Set Gear, for \$1,800; 2 Steam Boilers, 14x5 feet, at \$1,550 each, less 2 per cent. from the total amount.

FOREMAN'S REPORT—Lost time : Robert Jones reported sick. Extra work for W. W. Jones & Co., 4 hours Petre, 6 hours Grass, 1 day Hudson, 7 hours Fraser, dressing and fitting Wooden Rollers, at \$3.50 per day.

23—Engaged Robert Way, S. Boyle and H. Cover, at \$1.50 per day, services to commence on Monday, the 25th inst. Had W. T. Heaslip's Note of the 22nd inst. discounted at Bank of Montreal at 7 per cent., and proceeds left to credit.

FOREMAN'S REPORT—Lost time : Robert Jones, absent. Extra work for A. S. Page & Co., 8 hours Potts, 4 hours Everett, cutting Bolts; 1 day Lynn, 7 hours West, bushing old Pulleys, at \$4 per day. Paid hands in full for services.

25—Received from Peter Williams, Cash for his Note of Oct. 21st, and interest thereon. Remitted Frothingham & Workman, Montreal, a Bank Draft for the amount of their invoice of the 16th inst., less 2½ per cent.; paid Cash for Draft and ½ per cent. exchange. Delivered per order of R. Abrams 12 Scotch Canadian Plows, at \$10; 8 Double Crook Hurlburt do., at \$12; 4 Side Hill do., at \$8.50; 2 Reynolds Water Wheels, at \$75.

FOREMAN'S REPORT—Lost time : Petre, ¼ day; Lynn, ½ day. Extra work for W. A. Foster & Co., 4 hours blacksmith and helper, making Keys for connecting Rods, at \$5 per day. Stoneberg, Davis, Post, and Lynn worked overtime ¼ day.

26—We are necessitated to suspend operations in consequence of putting in a new boiler, the old one being considered unsafe. The hands required to assist in making the change are : Davis, Jones, West, Post, Potts, Lynn and Huff; the others are not required until we commence operations again on the 29th.

29—We allow A. R. Patterson \$600 for the old boiler, and credit him with that amount, charging mdse.; and charge him \$1,800 for the new one, and the connections and labor in making the change, crediting mdse.; the difference will remain at his debit, but the debt will be reduced as rent accrues due, and is placed to his credit. Received from R. Abrams, Cash on account, \$200.

FOREMAN'S REPORT—Lost time : Lynn, ½ day. Extra work for W. W. Jones & Co., 1 day, Roberts; 7 hours, Long; 8 hours, Spring; 3 hours, Petre, cogging wheels, at \$3 per day; Stoneberg, Davis, Huff, Spring, Long and Post have each worked overtime ¼ day. Received from F. J. Dickson, Cash in full for his Acceptance of March 24th. Paid our Acceptance of the 14th inst., favor of The Abbott-Mitchell Co., per Cheque.

30—R. Abrams has returned 4 Double Crook H. Plows, at \$12; 3 Scotch Canadian do., at \$10; 1 Side Hill do., \$8.50. Sold R. West, for Cash, 2 Steam Engines (35 H. P.), at \$750; 2 Steam Boilers (50 H. P.), at \$1,000.

FOREMAN'S REPORT—Lost time : Huff, ½ day. Extra work for A. S. Page & Co., 1 day, Post; 5 hours, Huff, fixing Pumps, at \$4 per day. The following hands have each put in ¼ day extra time : Davis, Jones, Everett, Petre and West.

We have purchased the Dominion Foundry for \$30,000, for which we paid Cash as follows : for Real Estate, \$20,000; for Plant, \$10,000.

* When hands receive money on account during the week, deduct the amount from their wages on pay day, and just keep a memo. in the till to represent it till then.

Pay the hands in full to date; make Rent Dr. to the landlord for the time we were tenants; take off a Balance Sheet and close the accounts.

Inventory of Merchandise, \$8,262.96.

Merchandise credit in Journal, \$10,969.44.

Net Gain, \$4,438.46.

Cash on hand, \$3,141.28.

Time Sheet Footings, No. 1, \$181.68; No. 2, \$187.97; No. 3, \$181.61; No. 4, \$143.61.

If Wages account is closed into Merchandise, the cost of raw material (including freight transferred at the end of the year) being already debited to that account, the Dr. side of Merchandise will show total cost.

This business, that has been carried on as a partnership concern, is now to be changed into a limited liability company.

Do as told in first paragraph of instructions regarding the conversion to a Joint Stock Company (page 159), namely: Make Cash Dr. to each partner for the respective sums required, after closing the books and taking off Balance Sheet.

A new set of books is to be opened for the new company; see instructions and illustrations at pages 159 to 162.

If you desire to close the accounts in the old ledger of the partnership (which it is well to do), make the following journal entries in the old journal and post them to the old ledger:

Student and Spafford Manufacturing Co., Limited.

To Sundries:

Follow with the name and amount of each asset.

Sundries:

To Student and Spafford Manufacturing Co., Limited.

Follow with the name and amount of each Liability, including each partner's account.

A further illustration of accounting for a manufacturing concern will be found under the heading "Printers', Publishers' and Binders' Bookkeeping." See Index.

REMARKS ON SET XIII.

The material from which the transactions of this Set are constructed was obtained from an extensive foundry and machine shop, and the routine has the merit of being practical. The forms of the books, and arrangement of the various records, are submitted as being very simple and in general use throughout the country.

The form of Day-Book adopted is similar to that of Set XI., all *credit* sales of merchandise being extended into the outside column, and forwarded from page to page until the end of the month, when the total amount is posted to the credit of Mdse. account. When work is charged by the day it is extended and posted to the credit of merchandise the same as though it were the sale of a manufactured article. This plan is adopted in the majority of machine shops, because the labor of hands is continually engaged on implements or machinery of some kind, which, when sold, will go to the credit of Merchandise account.

In manufactories where the hands are not paid weekly, and are allowed to draw on their wages accordingly, there is no way of keeping a running account with each of the hands with less trouble and greater accuracy than by adopting the plan of keeping a small Ledger exclusively for the accounts of the hands employed, called the "Hands' Ledger." The adoption of this plan saves the opening of so many accounts in the General Ledger, keeps the accounts of hands together and separated from all other accounts, and avoids trouble and detention at the time of making out a Trial Balance or balancing the General Ledger. A column should be kept on the credit side of the Cash-Book for amounts paid hands, and when money is paid to one of the hands it should be placed in this column and immediately posted to the debit of his account in the Hands' Ledger. When a "Hands'" column is kept in the Cash-Book, it is footed and forwarded to the end of the month and then posted in total to the debit of Hands' account in the General Ledger. In cases where the Hands' Ledger is adopted, it is necessary to keep a "Hands' Account" in the General Ledger and credit it from the Time-Book at the end of each week or month, as the case may be, with the following entry: "Wages account Dr. to Hands' account;" at the same time credit each hand with his wages. This plan keeps the two Ledgers entirely distinct from each other, the one account in the General Ledger containing the result of all the accounts in the other Ledger, and showing at any time the amount owing to hands. When the hands are all paid off and the Hands' Ledger balanced, this account must balance also. See for illustration of this method "Bookkeeping for Churches and Public Institutions," as shown in "Pew Holders' Ledger."

PLANT ACCOUNT.

It will be observed by the Student that the proprietors of this business *rent* the Foundry already fitted for their purpose; but suppose they had *purchased* it and the necessary machinery to carry on their operations, they would require an account in the Ledger to represent these, which is called

PLANT ACCOUNT. To the debit of this account is placed the cost of the permanent plant of the concern—by this we mean the machinery and tools by the use of which its goods are produced, and not anything that may be purchased to be sold or manufactured. When closing the Ledger there are two ways of dealing with the Plant account. Owing to wear and tear, the plant of the concern is now not worth so much as it was when you purchased it, or when you last closed your books; hence you must “write off” a portion of the amount charged to the account to Loss and Gain, so as to leave the debit at the figure for which you estimate the plant could be sold. You may write off say 5 per cent. by making this Journal entry and posting it:

Loss and Gain, Dr.

To Plant Account.

For 5 per cent. written off for wear and tear;

then close the account By Balance, and bring down the balance on the Dr. side; or you may take an Inventory of each part and piece that makes up the plant of the concern, place the amount of the Inventory on the credit side of the account, and close it by Loss and Gain, and bring down the Inventory on the Dr. side. Any property account, such as Office Furniture, would be dealt with in like manner. In the Plant Account such assets as machines, and fittings of the Machine Shop, Moulding Shop, Pattern Shop and Blacksmith Shop are included.

*MANUFACTURING ACCOUNT.

You may be required to prepare a Manufacturing Account at the end of the year to show the cost of, and the profit on, manufacturing. With this object in view, charge all raw material bought to Purchases Account, wages to Wages Account; credit sales of manufactured goods to Sales Account. Returned goods will be charged to Returned Sales Account. At the end of the year close Purchases and Wages Accounts, “By Manufacturing”; Sales Account (less the Returned Sales) will close “To Manufacturing”; Wages, Factory Expenses, Lighting, Heating, Power, etc., will close “By Manufacturing.”

The debit side of Manufacturing Account will then show the cost of manufacturing, the credit side will show the sales, and when the Inventory has been entered, the difference between the sides of Manufacturing Account will be the profit (or loss) in manufacturing.

Manufacturing Account is ultimately closed into Loss and Gain Account, as are other accounts such as Interest, Salaries, Rent, General Expenses, etc.

*See illustration on next page.

EXAMPLES OF LEDGER ACCOUNTS TO ILLUSTRATE THE
DIRECTIONS GIVEN ON PAGE 155.

DR.	PURCHASES.	CR.
	<u>60,000</u>	By Manufacturing..... <u>60,000</u>

WAGES.

	<u>30,000</u>	By Manufacturing..... <u>30,000</u>
--	---------------	-------------------------------------

SALES.

To Returned Sales.....	700		85,000
“ Manufacturing.....	84,300		
	<u>85,000</u>		<u>85,000</u>

RETURNED SALES.

	<u>700</u>	By Sales.....	<u>700</u>
--	------------	---------------	------------

MANUFACTURING.

To Purchases.....	60,000	By Sales.....	84,300
“ Wages.....	30,000	“ Inventory.....	25,000
“ Loss and Gain.....	19,300		
	<u>109,300</u>		<u>109,300</u>

LOSS AND GAIN.

To Interest.....	370	By Manufacturing.....	19,300
“ Salaries.....	3,000		
“ Rent.....	1,000		
“ Expenses.....	700		
“ *Capital (for net gain).....	14,230		
	<u>19,300</u>		<u>19,300</u>

*If the business is carried on as a Joint Stock Company, Loss and Gain account would be closed to Dividend account for the amount to be paid to the Shareholders and the remainder would be carried to Retained account, or be brought down to the credit of Loss and Gain Account.

JOURNAL-DAY-BOOK.—SET XIII.

*Belleville, April 1st, 1908.**See explanation, page 129.*

LED. FOL.					Merchandise.
	Sundries Dr. to Student's Capital a/c.....		10500	00	
	For following investment :				
	Cash as per C. B.....	\$8500	00		
	Bills Receivable, J. Brown's Note, B. B.....	2000	00		
	1				
	Sundries Dr. to A. M. Spafford's Capital a/c...		14554	00	
	For investment as follows :				
	Cash as per C. B.....	12000	00		
	Bills Rec., Note against Williams and Draft	2500	00		
	Interest on Dixon, as per B. B.....	54	00		
	Accrued on above Note.....				
	2				
	Merchandise Dr.....	15500	00		
	Fuel ".....	500	00		
	To Bills Payable.....		16000	00	
	Bought of A. R. Patterson, Implements, Iron,				
	&c., as per invoice, and 100 cords of Wood				
	at \$5, for which we gave 4 Notes at 3, 6, 9,				
	12 months, for equal amounts, as per B. B.				
	4				
	Robert Abrams Dr. to Mdse.				
	For 7 Scotch Canadian Plows, at \$10.00....	70	00		
	" 4 Mohawk Valley " 9.00....	36	00		
	" 6 Double Crook H. " 12.00....	72	00		
	5				178 00
	Merchandise Dr.....	490	00		
	To Frothingham & Workman.....		490	00	
	Bought of them on acct. as per invoice of				
	this date.				
	"				
	Merchandise Dr.....	950	00		
	To W. & F. P. Currie & Co.....		950	00	
	Bought of them as per invoice of this date...				
	"				
	A. S. Page & Co. *Dr. to Mdse.				
	To 5 hrs. Winters.....	2	00		
	" 2 " West.....	0	80		
	" 7 " Everett.....	2	80		
	Drilling and Dressing Spiders.				5 60
	Mdse. Cr. by Sundries.				183 60

*A. S. Page & Co. are charged for this work at the rate of \$4 per day (10 hours work, 40c. an hour), which is considerably more than we pay the same men, but it must be remembered that we furnish the machinery, tools and other necessities, and are under heavy expense aside from men's wages.

TIME AND WAGES REGISTER OF THE DOMINION FOUNDRY.

For the Week ending Saturday, April 9th, 1908.

No.	NAME.	M.	T.	W.	T.	F.	S.	Total.	Rate per day.	Amount.	Received the amount set opposite our respective names.
1	John Davis.....	1	$\frac{1}{2}$	1	1	1	1	$5\frac{1}{2}$	2 75	15 12	John Davis
2	G. Abrahams.....	1	1	1	1	1	1	6	2 50	15 00	G. Abrahams
3	A. Winters.....	1	$\frac{1}{2}$	1	1	1	$\frac{1}{4}$	$4\frac{3}{4}$	2 25	10 69	A. Winters
4	Robert Jones.....	1	1	1	$\frac{1}{2}$	1	$\frac{1}{2}$	5	1 50	7 50	R. Jones
5	Wm. West.....	1	1	1	$\frac{3}{4}$	1	$\frac{3}{4}$	$5\frac{1}{2}$	1 50	8 25	W. West
6	H. Darnley.....	1	$\frac{1}{2}$	1	1	1	1	$5\frac{1}{2}$	1 50	8 25	H. Darnley
7	S. Post.....	1	$\frac{1}{2}$	$\frac{1}{2}$	1	1	1	5	1 50	7 50	S. Post
8	Warner Potts.....	1	1	$\frac{3}{4}$	1	$\frac{1}{4}$	1	5	1 50	7 50	Warner Potts
9	Isaac Raming.....	1	$\frac{3}{4}$	—	—	—	—	$1\frac{3}{4}$	1 50	2 62	I. Raming
10	George Everett.....	1	1	1	1	$\frac{3}{4}$	1	$5\frac{3}{4}$	1 50	8 62	Geo. Everett
11	Samuel Lynn.....	1	1	1	1	1	1	6	1 50	9 00	Samuel ^{his} X Lynn mark.
<i>Entered Cash-Book Folio—.</i>										100 05	Witness : W. J. Osborne

When men are paid every week, the above form will enable the accountant to keep a correct record of each man's time. In cases where men work extra time it may be entered in the same column immediately over the day's work, and all extended in the total column at the end of the week, or it may be recorded in a column headed "Extra Time." If the men are paid every two weeks, twelve day columns are necessary. In business the above \$100.05 is brought forward into the head of the "Amount" column upon the next page, and so continued from page to page until the whole list of workmen is complete. On pay day the whole list is extended as above. The men being assembled, the Pay Clerk calls the names in their order upon the register, hands each the amount due him, and checks it upon the left of the money column, thus ✓, and each signs his name. A man who cannot write makes his mark, which is witnessed, as in the example. The total amount is entered in the Cash Book and charged to Wages Account.

By having a large book, one space for names will serve for four weeks; the ruling for the third and fourth week to extend upon the opposite page.

In case the men are not paid in full, extra columns, headed "Paid" and "Due," should be kept, and wages standing over should be entered in the "Due" column, and added to their earnings on the next register.

The few names entered in the preceding form are sufficient to show how this book should be kept.

When cash is advanced to men during the week, a memorandum is kept of it in the till, or their due bill is taken, and these are counted as cash; at the end of the week the sums are simply kept out of the wages.

The Business Converted Into a Joint Stock Company.

We have converted our business into a Joint Stock Company under the Dominion Companies' Act by the name of the (Student) and Spafford Manufacturing Co., Limited, of Belleville. In order to bring their present capital up to 30,000 the partners of the former business paid in before incorporation the difference between the amount at their credit as shown in the balance sheet, and the sum of \$30,000; Student's capital to be brought to \$13,000 and Spafford's to \$17,000. Cash was made Dr. in the old books to each for the necessary amounts.

The method of incorporating the Company is as follows: The Capital Stock of the Company is to be \$75,000, divided into 750 shares of \$100 each. The Company assumes the assets and liabilities of the old business and gives the former proprietors \$30,000 in paid-up stock for the capital they had invested in it. Subscriptions for the balance of the stock (\$45,000) have been received and the whole amount has been paid in Cash, which is on deposit with the Bank of Montreal in Belleville.

Application for incorporation was duly filed (in accordance with section 5 of the Act), in the Department of the Secretary of State, setting forth the particulars required by section 6 of the Act on form A, given in the first schedule of the Act, accompanied by a memorandum of agreement, in duplicate under seal, on form B of the same schedule, together with the necessary fee. Notice of the granting of the letters patent incorporating the company has been given twice by the Secretary of State in the *Canada Gazette* in the form C, in the first schedule of the Act, and the Company is now legally constituted. As required by the Act, a copy of the notice of incorporation has been duly inserted on four separate occasions in the *Intelligencer* newspaper published in the City of Belleville, which is as follows:—

PUBLIC NOTICE.

Public notice is hereby given, that under "The Companies' Act, 1902," letters patent have been issued under the Seal of the Secretary of State, bearing date the 10th day of May, 1908, incorporating

W. J. Osborne, manufacturer; A. M. Spafford, manufacturer; W. B. Robinson, accountant; J. W. Johnson, accountant; Carl Strom, jeweller; W. N. Ponton, barrister; L. W. Yeomans, druggist, and C. M. Stork, banker, all of the City of Belleville, Province of Ontario, for the purpose of carrying on the foundry business by the name of "The Osborne & Spafford Manufacturing Co., Limited, of Belleville," with a total capital stock of seventy-five thousand dollars, divided into seven hundred and fifty shares of one hundred dollars each.

Dated at the office of the Secretary of State of Canada, this 10th day of May, 1908.

A. B.,
Secretary.

Now make :

For the new Stock subscribed and fully paid and on deposit in the Bank of Montreal, for which Stock Certificates have been issued to the owners, at whose credit the respective amounts will be found in the Stock Ledger.

Open the General Ledger by posting the above entries as follows :

GENERAL LEDGER.

REAL ESTATE.

PLANT.

MERCHANDISE.

CASH.

To Sundries,	1	3984	26						
--------------	---	------	----	--	--	--	--	--	--

To Sundries,	1	905	25						
" Capital Stock,	1	45000	00						

A. S. PAGE.

To Sundries,	1	81	60						
--------------	---	----	----	--	--	--	--	--	--

ROBERT ABRAMS.

To Sundries,	1	1164	50					
--------------	---	------	----	--	--	--	--	--

W. A. FOSTER & CO.

To Sundries,	1	61	05					
--------------	---	----	----	--	--	--	--	--

W. W. JONES & CO.

To Sundries,	1	35	05						
--------------	---	----	----	--	--	--	--	--	--

A. R. PATTERSON.

To Sundries,	1	1033	33						
--------------	---	------	----	--	--	--	--	--	--

W. R. COLEMAN.

To Sundries,	1	472	00					
--------------	---	-----	----	--	--	--	--	--

BILLS PAYABLE.

[illegible]

The following list of shareholders, with the amount of stock owned and fully paid by each, is taken from the stock list :

W. J. Osborne	130 shares	\$13000 00
A. M. Spafford.....	170 "	17000 00
W. B. Robinson.....	100 "	10000 00
J. W. Johnson	100 "	10000 00
Carl Strom	75 "	7500 00
W. N. Ponton	75 "	7500 00
L. W. Yeomans.....	50 "	5000 00
C. M. Stork	50 "	5000 00

750

\$75000 00

Post the above to the Stock Ledger as follows :

STOCK LEDGER.

DR.	W. J. OSBORNE (BELLEVILLE).										CR.
								By 130 Shares,		13000	00
	A. M. SPAFFORD (BELLEVILLE).										
								By 170 Shares,		17000	00
	W. B. ROBINSON (BELLEVILLE).										
								By 100 Shares,		10000	00
	J. W. JOHNSON (BELLEVILLE).										
								By 100 Shares,		10000	00
	CARL STROM (BELLEVILLE).										
								By 75 Shares,		7500	00
	W. N. PONTON (BELLEVILLE).										
								By 75 Shares,		7500	00
	L. W. YEOMANS (BELLEVILLE).										
								By 50 Shares,		5000	00
	C. M. STORK (BELLEVILLE).										
								By 50 Shares,		5000	00

The sums at the credit of the accounts of the several stockholders in the Stock Ledger agree with the amount at the credit of Capital Stock account in the General Ledger. Each shareholder holds a certificate for the stock he owns, signed by the proper officers, and bearing the Company's seal.

If a stockholder sells his shares, he signs a transfer, and delivers up his certificate. A new certificate is issued to the new holder, and in the Stock Ledger the seller is made debtor to the buyer. The Capital Stock account in the General Ledger is not affected by a change of owners of shares.

The Books of the Company are now open and ready to record the transactions.

See "Johnson's Joint Stock Company Bookkeeping," in which the subject is exhaustively treated.

WEEKLY TIME AND WAGES REGISTER.

The following form is designed for paying men by the piece in weekly payments, and will answer to keep an account of work either done in the factory or by parties at their own shops. By adopting the following plan one page answers for two weeks, and if opposite pages are taken they will answer for four weeks, and thus save the necessity of writing the names so frequently.

TIME AND WAGES REGISTER OF
THE DOMINION BOOT AND SHOE MANUFACTORY.

Name.	June 1st, 1903.				June 8th, 1903.		
	Quantity.		Rate.	Amount.	Quantity.	Rate.	Amount.
James Amos.....	5 prs.	Boots,	2	10			
John Bates	4 "	"	1 75	7			
R. Corn.....	5 "	"	1 75	8			75
L. Date.....	3 "	"	2	6			
H. Evans.....	4 "	"	2	8			
L. Favor.....	6 "	Shoes,	1 15	6			90
R. Goven.....	5 "	"	1 75	8			75
S. Hand.....	3 "	Boots,	2	6			
T. Irwin.....	2 "	"	2	4			
P. Jones.....	6 "	Slippers	0 60	3			60
J. Words.....	5 "	Boots,	2 15	10			75
Forward,*				79			75

*The footing of each page should be forwarded until the whole of the workmen are paid off, and then carried to the Cash-Book in total.

STEAMBOATING.

The books of Steamboats, like those of any other business, are kept after various forms. But the principles of accounts apply to every kind of business, and when thoroughly mastered, can be readily adapted to any form that the peculiarities of the business may require. Skilful men adopt such forms of books as are most convenient and best adapted to their peculiar kind of business, and which may be kept in the easiest and simplest manner, but it is only in some minor details, which are easily understood after the principles of accounts have been fully mastered, that any novelty is possible.

We have examined a number of different forms in use on some of the principal vessels that navigate the lakes and rivers of our country, and recommend the form here presented on account of its simplicity and practicability.

The books used are the Hands' Register, Fuel Book, Freight Book, Passage Book, Cash Book, Journal and Ledger. Sometimes a Hands' Ledger is also used, in which an account is kept with each hand employed; also Pocket Memorandum Books for taking down freight (when no bill of lading is furnished) as delivered to the boat, and a Deck Passage Book.

THE HANDS' REGISTER

Contains the name, occupation, the day upon which service commenced, rate of wages per month, etc., of each employee, and is similar in use to the Time-Book in a Manufacturing Business. It is used to record the amount of labor performed and paid for.

THE FUEL BOOK,

As its name implies, contains a statement of the amount of fuel purchased, from whom, and the date of purchase.

THE FREIGHT-BOOK, OR MANIFEST,

Contains a classified list of the goods received for transportation; being plainly arranged, it exhibits its features and use without further explanation.

THE PASSAGE-BOOK

Is intended to record the names and numbers of the passengers, the places of embarkation and destination, and the amount of fare paid.

THE CASH-BOOK,

As in ordinary business, contains a record of all cash received and paid out. It is made up from the items recorded in the foregoing books, and from it and the Journal the entries are posted to the Ledger, which is the same form as in general use.

TRANSACTIONS.

TRIP I.—FROM BELLEVILLE TO MONTREAL.

June 1st, 1908.—J. W. Johnson and Geo. H. Pope have this day formed a partnership, and purchased the Steamer "CITY OF THE BAY," for \$35,000, from A. W. Hepburn.

They invest equal amounts, and are to share gains and losses equally, as per articles of co-partnership of this date.

They have paid for the boat as follows: Cash \$20,000, for which each advances \$10,000, and the balance in two Notes in favor of A. W. Hepburn, one at three months for \$10,000, and the other at 15 months for \$5,000, both Notes bearing interest at 6 per cent. per annum.

J. W. Johnson has advanced for incidental expenses, Cash \$750.

Geo. H. Pope " " " " " " 800.

The boat will ply between Belleville and Montreal, and the present crew will be retained.

The following list embraces the officers and Crew, and their salaries:

Geo. H. Pope, Captain	\$100 per month.	H. Maitland, Cook,	\$25 per month.
J. W. Johnson, Purser	75 " "	J. B. Simpson, Deck Hand . . .	20 " "
Wm. Ireland, First Mate	50 " "	R. P. Strong, " "	20 " "
John F. Steele, Sec. Mate	40 " "	B. C. Murney, " "	20 " "
G. P. Mansard, Wheelsman . . .	30 " "	George Pearson, " "	20 " "
John Frost, " "	30 " "	Susan Broady, Chambermaid .	10 " "
O. R. Whaley, 1st Engineer. . .	70 " "	Isaac Epicure, Cabin Boy . . .	12 " "
A. B. West, 2nd " "	40 " "	Daniel Alert, Watchman	12 " "
M. Peterson, Fireman	30 " "	T. B. Stunners, Porter	10 " "
John P. Ray, " "	30 " "		

June 1st—Paid Downey & Pope, for 20 tons Coal, at \$5.50, \$110; R. Price, for Provisions, \$100; John Grainger, for Meat, \$20.50; A. Henry, for Ice, \$6.50; Henry Blair, 8 cords of Wood, at \$6, \$48.

Received the following goods:

*BILL OF LADING NO. 1.—From Victoria Foundry, Belleville, to William Watson & Co., Cornwall, marked "W. W. & Co., C.," 50 Excelsior Coal Stoves, at \$2.

BILL OF LADING NO. 2.—From George Wallbridge, Belleville, to Jones & Smith, Brockville, marked "J. & S., B.," 100 bbls. Pork, at 50c.; 40 casks Bacon, at 60c.; 10 boxes Sundries, at 40c.

BILL OF LADING NO. 3.—From Foster, Barber & Brignall, Belleville, to Joseph McKay & Co., Montreal, marked "J. McK., M.," 12 boxes, 3,500 lbs., at 30c. per hundred.

*See Index for Bills of Lading.

Received the following passengers at the Port of Belleville: Wm. Jones, for Picton, \$1.† S. G. Beatty, for Montreal, \$4.50. F. Hart and wife, Brockville, \$3.50 each. Miss Ida Hart, \$3.50. Miss S. Johnson, Cornwall, \$3. Jas. Parker and wife, Cornwall, \$3 each.

RECEIVED AT PORT OF PICTON: BILL OF LADING NO. 4.—From J. K. Frimmier, to Sampson, Young & Co., Montreal, marked "S. Y. & Co., M.," 240 boxes Eggs, at 25c.; 55 firkins Butter, at 15c. Also the following passengers: J. Kerr, for Montreal, \$4. J. P. Forrester and wife, Montreal, at \$4. Peter West, Cornwall, \$2.50. S. C. Palmer, Gananoque, \$1.50.

BILL OF LADING NO. 5.—From J. Carruthers & Co., Kingston, to R. Smith, Montreal, marked "R. S., M.," 500 bbls. Flour, at 40c.; 20 tons Bran, at \$2.

BILL OF LADING NO. 6.—From Parker & Sons, Kingston, to G. P. Easterbrook, Montreal, 15 kegs of Nails, at 10c., marked "G. P. E., M."

PASSENGERS FROM KINGSTON.—Geo. W. Easton, for Cornwall, \$2. A. Diamond, Montreal, \$3. B. C. Daymond, wife and two daughters, Montreal, at \$3. R. P. Daley and wife, Brockville, at \$1.50.

June 2nd.—Paid J. R. Moser, Gananoque, for 5 cords Wood, \$20.

Discharged J. P. Ray.

BILL OF LADING NO. 7.—From B. A. Abbott, Gananoque, to Jas. Tiller, Montreal, marked "J. T., M.," 40 Cast Iron Rollers, 1,600 lbs., at 15c. per cwt., 35 Cumming's Straw Cutters, at 60c.

PASSENGERS FROM GANANOQUE.—John West and wife, Cornwall, at \$1. Miss W. Manion, Miss Susan Brown and Miss Nellie Peterson, for Montreal, at \$2.50 each.

BILL OF LADING NO. 8.—From L. G. Smart & Co., Brockville, to W. & F. P. Currie, & Co., Montreal, 275 boxes Sundries, at 75c.; 280 kegs Nails, at 10c.

Delivered to agent at Brockville, the goods consigned to Jones & Smith; the freight being unpaid is charged to the agent, George Webber. Paid Geo. West, for 10 cords wood, \$50.

PASSENGERS FROM BROCKVILLE.—S. Spangenberg and wife, Chas. Corby and Geo. Sutherland, for Montreal, \$2 each. Jno. Wilson and wife, for Cornwall, at \$1. Collected freight at Cornwall.

BILL OF LADING NO. 9.—From J. Weller & Co., Cornwall, to J. G. Mackenzie & Co., Montreal, marked "J. G. M. & Co., M.," 50 cases Tweed, at 25c.; 80 cases do., at 30c.

RECEIVED PASSENGERS FROM CORNWALL.—Jno. Macoun and wife, and J. P. Linger, wife and two daughters, for Montreal, \$1.50 each. Paid A. H. Stevenson, for 10 tons coal, \$60.

June 4th.—Delivered to the Agent at Montreal, the goods consigned to that port, and received Cash for freight. Paid Canal Toll, \$7.50. Discharged A. B. Stunners. Deck passengers, \$41.50.

FUEL RECEIPTS, STEAMER "CITY OF THE BAY."

TRIP 1.—FROM BELLEVILLE TO MONTREAL, 1908.

Date, 1908.	Where Bought.	Tons Coal.	Cords Wood.	Prices.		Amount.	Received Payment.
June 1	Belleville.....	20		\$5	50	\$110	<i>Downey & Pope. Henry Blair. J. R. Moser. Geo. West. A. H. Stevenson. Entered C. B. page 167.</i>
" "	Belleville.....		8	6		48	
" 2	Gananoque....		5	4		20	
" "	Brockville.....		10	5		50	
" "	Cornwall.....	10		6		60	
		30	23			\$288	

OBSERVATIONS ON STEAMBOAT BOOKS.

We have extended in the Hands' Register the time each hand worked during the trip, and in the proper columns the amount he earned. This would not be done in regular business until such time as the hands would be paid or credited with their wages. It will be observed that the hands are all paid except the owners of the vessel, the Captain and Purser, whose salaries are journalized, and placed to the credit of their respective accounts. (These observations are continued at p. 169).

†The berths assigned passengers should be entered as in Passage Book. This being a mere matter of detail, we leave the Student to enter the numbers himself.

FREIGHT BOOK

TRIP 1st, STEAMER "CITY OF THE BAY," FROM

Shipper.	Where Shipped.	Consignee.	Destination.	Numbers and Marks.
Victoria Foundry	Belleville	Wm. Watson & Co.	Cornwall	1, "W. W. & Co., C."
Geo. Wallbridge	"	Jones & Smith	Brockville	2, "J. & S., B."
" "	"	"	"	" "
Foster, Barber & Brig'll	"	Jos. McKay & Co.	Montreal	3, "J. McK. & Co., M."
J. K. Frimmier	Picton	Samson, Young & Co.	"	4, "S. Y. & Co., M."
" "	"	"	"	" "
J. Carruthers & Co.	Kingston	R. Smith	"	5, "R. S. M."
" "	"	"	"	" "
Parker & Sons	"	G. P. Easterbrook	"	6, "G. P. E., M."
B. A. Abbott	Gananoque	James Tiller	"	7, "J. T., M."
" "	"	"	"	" "
L. G. S. & Co.	Brockville	W. & F. P. Currie & Co	"	8, "W. & F. P. C. & Co. M"
" "	"	"	"	" "
J. Weller & Co.	Cornwall	J. G. McKenzie & Co.	"	9, "J. G. M. & Co., M."
" "	"	"	"	" "

NOTE.—In case back charges are paid another Steamer, or an Express, or Railway Co., from which you receive Freight, the amount is entered in the column kept for that purpose, and a ticket placed in the Cash-Box until the money is again collected. No other entry is required as it is similar to an advance or loan.

CASH BOOK, STEAMER

TRIP 1st, FROM

Dr. CASH.

Date	F.	Receipts.	Passage.	Freight.	Sundries.
1908					
June 1	170	To G. H. POPE, Investment.....			10800
" "	170	" J. W. JOHNSON, "			10750
" 4	✓	" PASSAGE, per Passage Book.	130		
" "	✓	" FREIGHT, per Freight Book..		714 40	
	171	Passage Cr. by Cash	130		130
	171	Freight " " "		714 40	714 40
	171	Total to debit of "			\$22394 40

OR MANIFEST.

BELLEVILLE TO MONTREAL, JUNE 1st, 1908.

Articles.	Rate.	Items.	Amounts.		Back Charges.	Collected.		Remarks.
50 Excelsior Coal Stoves,	2 00		100			100		Charged G. Webber.
100 bbls. Pork,	50	50						
40 casks Bacon,	60	24						
10 boxes Sundries,	40	4	78					
12 boxes 3500 lbs., 35 cwt.,	30		10	50		10	50	
240 boxes Eggs,	25	60						
255 firkins Butter,	15	8 25	68	25		68	25	
500 bbls. Flour,	40	200						
20 tons Bran,	2 00	40	240			240	00	
15 kegs Nails, 15 cwt.,	10		1	50		1	50	
40 Cast Iron Rollers, 1600 lbs.,	15	2 40						Ent'd C. B., p. [166. " Journal, Page 170.
35 Cumming's Straw Cutters,	60	21 00	23	40		23	40	
275 Boxes Sundries,	75	206 25						
280 kegs Nails,	10	28 00	234	25		234	25	
50 cases Tweed,	25	12 50						
80 " "	30	24 00	36	50		36	50	
			792	40		714	40	
			Charge Geo. Webber.			78	00	
						792	40	

"CITY OF THE BAY."

BELLEVILLE TO MONTREAL, 1908.

CASH.

Cr.

Date.	F.	Disbursements.	Wages.		Fuel.	Stores.	Sundries.
1908							
June	1	170 BY STEAMER, Paid on her acct.					200 00
"	"	✓ " STORES ACCT. Supplies at Belleville,				127	
"	4	171 " EXPENSE, Toll passing Canal,					7 50
"	"	✓ " WAGES, As per Hands Register,	45	90			
"	"	✓ " FUEL, As per Fuel-Book,			288		
	171	Wages Dr. to Cash,	45	90			45 90
	171	Fuel " " "			288		288 00
	171	Stores, " " "				127	127 00
	171	Total to Cr. of "					20468 40
		Balance,					1926 00
							22394 40

HANDS REGISTER, STEAMER "CITY OF THE BAY."

TRIP I.—FROM BELLEVILLE TO MONTREAL. 1908.

Name.	Occupation.	Date of Employment.	Time.	Wages per m'th	Amount.	Paid.	Remarks.
Geo. H. Pope,	Captain,	June 1	3 ds	\$100	\$10		
J. W. Johnson,	Purser,	"	3 "	75	7 50		
Wm. Ireland,	1st Mate,	"	3 "	50	5	5	
John F. Steel,	2nd "	"	3 "	40	4	4	
O. R. Whaley,	1st Engineer,	"	3 "	70	7	7	
A. B. West,	2nd "	"	3 "	40	4	4	
G. P. Mansard,	Wheelsman,	"	3 "	30	3	3	
John Frost,	"	"	3 "	30	3	3	
S. M. Peterson,	Fireman,	"	3 "	30	3	3	
J. P. Ray,	"	"	2 "	30	2	2	Paid and dischrg'd.
H. Maitland,	Cook,	"	3 "	25	2 50	2 50	
D. B. Simpson,	Deck Hand,	"	3 "	20	2	2	
R. P. Strong,	"	"	3 "	20	2	2	
B. C. Murney,	"	"	3 "	20	2	2	
Geo. Pearson,	"	"	3 "	20	2	2	
Susan Broady,	Chamber Maid,	"	3 "	10	1	1	
I. Epicure,	Cabin Boy,	"	3 "	12	1 20	1 20	
D. Alert,	Watchman,	"	3 "	12	1 20	1 20	
A. B. Stunners,	Porter,	"	3 "	10	1	1	Discharged.
Total wages this trip,					63 40		
Amount paid this trip,						45 90	Ent'd C. B., F. 167.

PASSAGE BOOK STEAMER "CITY OF THE BAY."

TRIP I.—FROM BELLEVILLE TO MONTREAL.

June 1st, 1908.

Names of Passengers.	Embarkation.	Destination.	No.	Berth.	Fare.	Amount.
Wm. Jones,	Belleville,	Picton,	1	4	\$1 00	\$1 00
S. G. Beatty,	"	Montreal,	1	8	4 50	4 50
F. Hart and wife,	"	Brockville,	2	6	3 50	7 00
Miss Ida Hart,	"	"	1	2	3 50	3 50
Miss S. Johnson,	"	Cornwall,	1	10	3 00	3 00
James Parker and wife,	"	"	2	16	3 00	6 00
J. Kerr,	Picton,	Montreal,	1	20	4 00	4 00
J. P. Forrester and wife,	"	"	2	13	4 00	8 00
Peter West,	"	Cornwall,	1	23	2 50	2 50
S. C. Palmer,	"	Gananoque,	1	5	1 50	1 50
Geo. W. Easton,	Kingston,	Cornwall,	1	7	2 00	2 00
A. Diamond,	"	Montreal,	1	11	3 00	3 00
B. C. Daymond and wife,	"	"	2	17	3 00	6 00
Jane and Sarah Daymond,	"	"	2	18	3 00	6 00
R. P. Daly and wife,	"	Brockville,	2	19	1 50	3 00
John West and wife,	Gananoque,	Cornwall,	2	15	1 00	2 00
Miss W. Manion,	"	Montreal,	1	22	2 50	2 50
Miss Susan Brown,	"	"	1	21	2 50	2 50
Miss Nellie Peterson,	"	"	1	24	2 50	2 50
S. Spangenberg and wife,	Brockville,	"	2	26	2 00	4 00
Charles Corby,	"	"	1	29	2 00	2 00
Geo. Sutherland,	"	"	1	30	2 00	2 00
John Wilson and wife,	"	Cornwall,	2	34	50	1 00
John Macoun and wife,	Cornwall,	Montreal,	2	27	1 50	3 00
J. P. Linger and wife,	"	"	2		1 50	3 00
Miss Mary Linger,	"	"	1		1 50	1 50
Miss Susan Linger,	"	"	1		1 50	1 50
Cabin Passengers.			38			
*Deck, D. P. B.			22			
Total Receipts entered C. B., page 166.						\$130 00

* D. P. B. stands for Deck Passage Book, a small memorandum book in which the names, places of embarkation and destination of the deck passengers are registered. The total receipts of this book are transferred to the Passage Book before posting.

The books should all be paged, and references between them should always be made by the page instead of by the trip.

The Fuel-Book is so arranged as to give necessary information respecting all fuel purchased. The amounts paid in Cash for fuel are here collected, and carried forward from page to page until the end of the trip, or such time as a statement is required, when it is entered in one sum in the Cash-Book. The columns for inserting the number of tons of coal and cords of wood enable you to carry forward the quantity of each, and exhibit in the statement the amount of each purchased.

According to the style of Passage-Book adopted with this set, the names, places of embarkation and destination are registered as the passengers engage their passage and choose their berths. It thus serves the purpose of a Passenger List and a Cabin Register; but for large boats, where many passengers are getting on and off frequently, this book would not answer. The Cabin Register, where one is kept separately, is usually left on the table for the use of the passengers.

Sometimes through tickets are issued by boats, and passengers re-shipped on other steamers or railways. In such a case, PASSAGE account may be credited with the whole fare and debited with the cost of re-shipping. The same rule is also followed in re-shipping freight.

The Freight or Manifest Book is explained by the headings of the different columns. Make out for each port a sheet or sheets from the manifest; copy these in your abstract manifest book by the copying press, and on this take receipts from agents for goods delivered. A steamboat is not supposed to do a credit business, but there will be times when the agent to whom goods are delivered will not have change to pay the freight, and it becomes necessary to keep track of it. In a case of this kind make a note of it in the column for remarks, and if it is not paid before the Freight Book is posted, make a journal entry charging the agent with it. See amount charged G. Webber in the Freight Book. When goods are delivered to you by another Steamer, or an Express, or Railway Co., on which there are back charges which you are required to pay, see that the shipper inserts the amount on your Bill of Lading. This gives you the same authority to collect the charges that you have for collecting your own freight. In case you re-ship goods, take a Bill of Lading from the boat or company with which the goods are entrusted, in order to hold it or them responsible for their safe delivery. No entry is required for sums advanced for back charges on freight from other boats or companies, except it should remain unsettled at the time of making out your statement, when it should be entered in the Cash-Book. See Note, Freight Book, page 166.

JOURNAL.

TRIP 1ST.—FROM BELLEVILLE TO MONTREAL, JUNE 1ST, 1908.

Folio.	170	Steamer "City of the Bay," Dr.	15000		15000
	170	To Bills Payable,			
		Gave our Notes in part payment of the vessel.			
		2			
	171	G. Webber, Dr.	78		78
	171	To Freight,			
		Freight unpaid per Freight Book.			
		4			
	171	Wages acct., Dr.	17	50	
	170	To G. H. Pope,			10
	170	" J. W. Johnson,			7
		Proprietors' salaries unpaid.			50
			15095	50	15095 50

LEDGER.

Dr.				GEO. H. POPE.				Cr.			
1908				1908							
June	4	To Balance,	11028 25	June	1	By Cash, C. B.	166	10800			
				"	4	" Wages,	170	10			
				"	4	" Loss and Gain	172	218	25		
			11028 25					11028	25		
						By Balance,		\$11028	25		

J. W. JOHNSON.

June	4	To Balance,	10975 75	June	1	By Cash, C. B.	166	10750 00
				"	4	" Wages,	170	7 50
				"	4	" Loss and Gain	172	218 25
			10975 75					10975 75
						By Balance,		\$10975 75

STEAMER "CITY OF THE BAY."

June	1	To Cash, C. B.	167	20000	June	4	By Balance,	35000
"	1	" Bills Pay.,	170	15000				
			35000					35000
		To Balance,	\$35000					

BILLS PAYABLE.

June	4	To Balance,	\$15000	June	1	By Steamer,	170	\$15000
						By Balance,		\$15000

<i>Dr.</i>		CASH.										<i>Cr.</i>	
1908						1908							
June	4	To Sundries, C.B.	166	22394	40	June	4	By Sundries, C.B.	167	20468	40		
								" " Balance,		1926			
				22394	40					22394	40		
To Balance,			\$1926 00										

GEO. WEBBER.

June	2	To Freight,	170	78		June	4	By Balance,			78		
To Balance,			\$78 00										

PASSAGE ACCOUNT.

June	4	To Loss and Gain,	172	130		June	4	By Cash,	166	130			
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FREIGHT ACCOUNT.

June	4	To Loss and Gain,	172	792	40	June	2	By Geo. Webber,	170	78			
							4	" " Cash,	166	714	40		
				792	40					792	40		

STORES ACCOUNT.

June	1	To Cash,	167	127		June	4	By Expense,	171	127			
------	---	----------	-----	-----	--	------	---	-------------	-----	-----	--	--	--

FUEL ACCOUNT.

June	1	To Cash, C. B.	167	288		June	4	By Expense,	171	288			
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WAGES ACCOUNT.

June	4	To Cash, C. B.,	167	45	90	June	4	By Expense,	171	63	40		
"	"	" Sundries,	170	17	50								
				63	40					63	40		

EXPENSE.

June	3	To Cash, C. B.,	167	7	50	June	4	By Loss and Gain,	172	485	90		
"	4	" Stores acct.	171	127									
"	"	" Fuel "	171	288									
"	"	" Wages,	171	63	40								
				485	90					485	90		

Dr.

LOSS AND GAIN.

Cr.

1908	4	To Expense,	171	485	90	1908	4	By Passage acct.,	171	130	
June	"	" <i>G. H. Pope,</i>	170	218	25	June	"	" Freight "	171	792	40
"	"	" <i>J. W. Johnson,</i>	170	218	25						
				922	40					922	40

EXPLANATION.

It will be observed that there is no necessity for a Day-Book, and that the Journal is only used to record such transactions as cannot be entered in the auxiliaries. Before posting the C. B., the amounts received for freights and passages are transferred from the Freight and Passage Books to the Dr. side of the C. B., and the amounts for fuel and wages from the Fuel-Book and Hands' Register to the Cr. side of the C. B.

In a regular business the hands would in all probability be paid monthly, and would no doubt occasionally require small sums of money through the month to defray their expenses. For such cases a special column might be kept in the C. B., in which items paid to hands could be charged. We have not space in a work like this to continue the transactions for a whole month, and we consequently close the books on reaching Montreal in order to fully illustrate the Set. We will now give manuscript for the return trip to be worked out in the same style. The balances may be brought down, as is done with the Real accounts, and the return trip posted in the same Ledger accounts.

MEMORANDA, STEAMER "CITY OF THE BAY."

TRIP I.—FROM MONTREAL TO BELLEVILLE, JUNE 5TH, 1908.

- Engaged P. Graham, as porter, at \$12 per month, and J. Reynolds, as fireman, at \$30, services to commence to-day.
- Paid A. Emerson, for 10 tons Coal, at \$6; 12 cords of Wood, at \$5.50; A. F. Wood, for Provisions, \$25; F. G. Forbes, for Meat, \$8.75. Paid for Repairs, \$4.
- BILL OF LADING NO. 10.—From Alex. Buntin & Co., Montreal, to E. Harrison, Belleville, marked "E. H., B.," 10 boxes Stationery, 2,425 lbs., at 20c per cwt.
- BILL OF LADING NO. 11.—From Frothingham & Workman, Montreal, to Lewis & Price, Belleville, marked "L. & P., B.," 400 kegs Nails, at 10c.; 40 boxes Hardware, 5,750 lbs., at 10c. per cwt.
- BILL OF LADING NO. 12.—From James Sutherland, Montreal, to J. C. Overell, Belleville, marked "J. C. O., B.," 4 boxes Books, 1,250 lbs., at 25c. per cwt.; 6 boxes Sundries, 840 lbs., at 30c. per cwt.
- BILL OF LADING NO. 13.—From J. McKay & Co., Montreal, to M. Empey, Belleville, marked "M. E., B.," 20 boxes Tweed, 4,300 lbs., at 25c. per cwt.; 10 boxes Sundries, 2,460 lbs., at 20c. per cwt.
- BILL OF LADING NO. 14.—From J. McKay & Co., Montreal, to W. H. Doxsee, Kingston, marked "W. H. D., K.," 10 boxes Cloth, 3,420 lbs., at 20c. per cwt.; 100 boxes Tweed, 18,760 lbs., at 20c. per cwt.; 40 boxes Sundries, 1,275 lbs., at 25c. per cwt.

PASSENGERS FROM MONTREAL.—W. J. Carman and wife, Belleville, \$9; E. Potts, J. Squires, Wm. Jeffs and R. Noon, for Belleville, \$4.50 each; E. C. Wartman, R. Sanders, W. M. Parker, A. Brady, S. Davison and B. Carper, for Picton, at \$4 each; Miss Mary Downey, W. C. Niles, G. Golson, S. Grinder and John Ivason, for Kingston, \$3 each; John Turner, C. B. Rogers, Isaac Westman, A. Munroe and Miss S. Allen, for Gananoque, \$2.50 each; A. Overell and wife, Brockville, \$4; John Brown, Mary Brown and Jane Brown, for Cornwall, \$1.50 each. Paid Canal Tolls for up trip, \$9.60.

BILL OF LADING NO. 15.—From Robert Shannon, Cornwall, to Chas. Vannorman, Belleville, marked "C. V., B.," 400 bundles Paper, at 10c.; 14 boxes Sundries, 1,850 lbs., at 20c. per cwt.

JUNE 6.—BILL OF LADING NO. 16.—From Pason & Post, Cornwall, to S. Stevenson, Gananoque, marked "S. S., G.," 80 bundles Wagon Spekes, at 60c. each; 12 boxes Sundries, 3,140 lbs., at 15c. per cwt.

BILL OF LADING NO. 17.—From A. B. Walsh, Cornwall, to J. & H. Carson, Picton, marked "J. & H. C., P.," 25 Iron Plows, at 75c.; 25 Harrows, at \$1.

PASSENGERS FROM CORNWALL.—Isaac Blair, Belleville, \$3; Patrick Murray, Kingston, \$2; M. Hamilton and wife, Picton, \$5; James Rombeau, Deseronto, \$2.75.

BILL OF LADING NO. 18.—From John Simpson, Prescott, to Geo. Easton, Belleville, marked "G. E., B.," 300 boxes Tobacco, at 15c.; 20 boxes Sundries, 2,160 lbs., at 18c. per cwt. Paid Wharfage at Prescott, \$2.40.

PASSENGERS FROM PRESCOTT.—Geo. Bull and wife, A. McFee and wife and R. Thompson and wife, for Belleville, \$2.75 each; Adam Leslie, Deseronto, \$2.25; R. Bottford, Picton, \$2.

Paid S. Gorman for 8 cords Wood, \$44.

JUNE 8.—BILL OF LADING NO. 19.—From H. Bottoms, Brockville, to J. A. Agnew, Kingston, marked "J. A. A., K.," 10 boxes Tweed, 3,200 lbs., at 15c. per cwt.

BILL OF LADING NO. 20.—From J. C. McGannon, Brockville, to L. H. Henderson, Belleville, marked "L. H. H., B.," 400 sacks Flour, at 10c.; 800 bushels wheat, at 5c.

PASSENGERS FROM BROCKVILLE.—A. L. Morden, S. Young, E. B. Fraleck and M. Jellett, for Belleville, at \$3 each; R. Moses and wife, Kingston, \$3; Miss J. Sanderson and Miss R. Gordon, for Picton, at \$2 each.

Paid W. Gaffield, for Provisions, \$12.60.

BILL OF LADING NO. 21.—From J. Johnson, Kingston, to *Intelligencer* Publishing Co., Belleville, marked "I. P. Co., B.," 500 bundles Paper, 6,800 lbs., at 12c. per cwt.

BILL OF LADING NO. 22.—From R. Town & Co., Kingston, to W. Dickens, Belleville, marked "W. D., B.," 200 bbls. Apples, at 15c.

PASSENGERS FROM KINGSTON.—J. H. Way and wife, Picton, \$1; A. Thomas, W. Weaver, R. P. Dowe and Miss D. Lazier, for Deseronto, at \$1.25 each; John Rowe, Belleville, \$1.50.

BILL OF LADING NO. 23.—From P. K. Norris Picton, to R. Dick, Belleville, marked "R. D., B.," 12 boxes Sundries, 3,225 lbs., at 15c. per cwt.

PASSENGERS FROM PICTON.—Henry Norris & wife, Belleville, \$2; Susan Wills, Annie Baker, Mary Sweet, John Porter and Peter Smith, for Deseronto, at 25c. each.

BILL OF LADING NO. 24.—From the Rathbun Company, Deseronto, to J. Forin, Belleville, marked "J. F., B.," 10,000 ft. Lumber, at 65c. per M. Bought for Cash of L. Moody, 15 cords Wood, at \$4.

9—Arrived in Belleville, discharged cargo, and paid hands in full for 3 days.

Deck Passages, \$62.50.

Gain for return, \$298.61.

REPORTING AT THE CUSTOM HOUSE.

The arrival and departure of every vessel must be reported at the Custom House or to an officer of Customs on the "report inwards" and "report outwards" forms. When going to a foreign port a "report outwards" must be made out in duplicate, and a "clearance" obtained under the hand of the Collector of Customs. When entering a foreign port or a home port from a foreign port, the "clearance" must be exhibited at the Custom House or to an officer of Customs without delay, and a "report inwards" made in duplicate. Coasting vessels that do not touch at foreign ports simply make out a "report inwards coastwise" and a "report outwards coastwise." These duties in connection with a steamboat usually devolve upon the purser, and it is essential that he shall be extremely careful to comply with every requirement of the law, for violations or neglect occasion heavy fines, and possibly seizure and confiscation of the vessel.

WHERE VESSELS ARE REGISTERED.

On the stern of all vessels the name and place of registration are painted. Every trading vessel must be registered at some Custom House, just as the ownership of land is recorded at the Registry Office. There is one peculiarity about the registration of vessels that is not commonly known: each vessel is recorded as sixty-four shares. This is convenient where there are a number of owners. Mortgages upon vessels are also recorded and discharged at the Custom House.

DEMURRAGE.

Vessel owners have a right to demand that consignees shall not delay giving orders for the discharge of the cargo on the arrival of a vessel in port. Twenty-four hours is considered a reasonable time to give to consignees to make their arrangements. Should detention extend beyond forty-eight hours, the owner of the vessel is entitled to demurrage at a certain amount per day, which charge would be determined by the expense and loss occasioned to the vessel by the delay. Detention in loading a chartered vessel is subject to a similar charge.

Railway companies also charge demurrage for unreasonable delay in loading or unloading cars. Cars containing ordinary freight may be detained forty-eight hours; those containing coal, cordwood, lumber, lime, ore and other heavy freight may be detained seventy-two hours; after which demurrage is charged at the rate of \$1.00 per car per day. Sundays and legal holidays are not counted.

MUNICIPAL ACCOUNTS.

Municipal bookkeeping differs only in form and detail from ordinary mercantile methods of double entry. As Municipal Treasurers occupy positions of public trust, and as the credit of a municipality is an exceedingly sensitive thing, requiring honesty and competence in those who administer the affairs of a corporation, it is exceedingly desirous that municipal books should be kept in a manner at once clear, concise, and comprehensive, in order that

the taxpayer or the debenture creditor may at any time inform himself from the books of the financial condition, and verify the statements of the auditors.

In the Set which follows you are supposed to be commencing a new set of books on the basis of the city's assets and liabilities, and bringing truly ascertained balances forward from the old books. In carrying on the monetary affairs of a municipal corporation, two prominent matters have to be considered, and on these all minor details depend; they are the yearly estimates of expenditures and the method of raising the revenue necessary to meet them. It usually devolves upon the Chairman of the Finance Committee, aided by the Treasurer, to consider these matters, and prepare them for submission to the Council, which usually adopts their recommendations. We will suppose that the following is the

ESTIMATED EXPENDITURE.

Interest, Commission and Exchange.....	\$ 2,338 32
Market Building	700 00
City Hall.....	1,720 00
Market Square.....	850 00
Market No. 2.....	50 00
Insurance.....	600 50
Police Department.....	8,544 87
Public Schools—appropriation for 1906.....	11,500 00
Fire Department.....	3,710 00
Lighting Streets.....	2,155 00
Salaries.....	7,500 00
Streets.....	13,320 91
Public Park.....	356 00
Printing and Stationery.....	900 00
Election Expenses.....	438 00

MISCELLANEOUS PROPERTY:

New Hose.....	\$ 600 00	
Water Sprinklers.....	45 00	
		645 00
Interest on Debentures, issue of 1st April, 1896	2,100 00	
Interest on Debentures, issue of 1st August, 1900.....	7,000 00	
		9,100 00
To pay County of Windsor on account of award.....		25,040 00
	\$	89,468 60

CONTINGENCIES:

Proportion of Jury Expenses, 1905.....	\$ 1,902 58	
Support of prisoners in jail.....	4,130 00	
Appropriation High School.....	498 75	
“ Collegiate Institute.....	375 00	
“ General Hospital.....	200 00	
“ to compensate John Smith for loss of property by fire.....	275 00	
“ to compensate J. Brown for injuries received as fireman.....	252 50	
Post-mortem examination and medical evidence.....	250 00	
Law Expenses.....	100 00	
Pauper Passages.....	200 00	
Coffins and Interments.....	50 00	
Bill Posting.....	20 00	
Postage and Telegrams.....	30 00	
Registration.....	115 00	
Taking Census.....	100 00	
Dog Tags.....	41 05	
Incidentals.....	775 75	
		9,315 63
Estimated Expenditure.....		\$98,784 23

You will now proceed to find out what the revenue will likely be.

ESTIMATED REVENUE.

Surplus of Revenue over Expenditure, 1905.....	\$ 2,736 99
Rents.....	6,206 70
Licenses.....	11,296 10
Fines Police Court.....	1,000 00
Clergy Reserve Fund.....	600 00
Taxes, lands of non-residents.....	200 00
Gravel road, section of.....	73 62
Instalments on Lots sold.....	1,139 06
Frontage.....	292 50
Dominion Government for Public Clock.....	430 00
	<u>\$23,974 97</u>

The difference between the above revenue and the estimated expenditure has to be raised by taxation. We will suppose that the assessors have completed their work and placed the assessable property of the city at \$5,112,246.

A rate of 16 mills on the Dollar will amount to.....	\$81,795 93		
Less S. Schools.....	\$1,600 00		
Remissions.....	3,000 00		
Uncollectable.....	500 00		
		<u>5,100 00</u>	<u>76,695 93</u>
Total Revenue.....			\$100,670 90
*Estimated Expenditure.....			98,784 23
Surplus.....			<u>\$1,886 67</u>

The preceding revenue and assessment will cover the expenditure, and leave the above surplus. Occasionally it becomes necessary to raise money for special objects, such as improvements of various kinds, buildings, bridges, etc., the cost of which it is desirable to spread over a number of years. To do this, resort is usually had to the issue of Debentures (see form further over), which are promises to pay of the nature of notes of private individuals or firms, differing only in form. These sell at a premium, par, or discount, according to the interest they draw, the length of time they have to run, and the credit of the municipality offering them. They are frequently made payable in 20 years, with interest half-yearly. Attached to each debenture are interest coupons, which the holders, at the proper times, detach and present for payment. When a municipality issues debentures, it usually provides for their payment (amortizement) by creating a "SINKING FUND," (or Extinction Fund) deposit or investment, obtained from a special rate levied yearly for the purpose; and this fund, when wisdom and prudence are characteristic of the management, is held intact for the purpose for which it was created.

Sinking Funds are created as follows: The Ontario Municipal Statute requires that such a sum shall be levied yearly as will, capitalized at a rate per cent., produce the amount borrowed when it becomes due. Example:

* NOTE.—The Sinking Fund Levy is omitted this year, for the reasons stated in explanatory notes at the end of Set.

Suppose the City of Belleville desires to create a sinking fund that will amount to \$90,000 in twenty years. To find the amount you must levy for Sinking Fund, proceed by this rule: Find what \$1.00 will produce levied yearly for 20 years at (say) 5 per cent. This gives \$33.06595; then if \$1.00 produces \$33.06595, how much will it take to produce \$90,000; as much as times that sum is contained in \$90,000, which is \$2721.80, to be levied yearly. Another example: Suppose the City of Belleville borrows \$30,000 to build a bridge, agreeing to pay 5 % compound interest for 15 years, what amount must be put aside annually as a Sinking Fund, to provide for the payment of the debt ?

Solution.—Amt. of \$1.00 at 5 % compound interest for 15 years = 1.05^{15} or \$2.078928. Amt. of 30000 = $30000 \times 2.078928 = 62367.84$. Amt. of \$1.00 annuity at 5 % for 15 years = $\frac{1 \times 1.05^{15} - 1}{.05} = 21.57856$ and $62367.84 \div 21.57856 = 2890.27$ amt to be put aside yearly.

NOTE.—To find the amount of \$1.00 annuity for 20 years at 5 p.c., apply the following formula: $\frac{1 \times 1.05^{20} - 1}{.05} = \frac{1 \times 2.6532977 - 1}{.05} = \frac{2.6532977 - 1}{.05} = \frac{1.6532977}{.05} = \frac{165.32977}{5} = 33.06595$.

The levying and collecting of this Sinking Fund are not all the important features connected with it. It is highly important that an account in your Ledger should show at its DEBIT the amount of this fund. It will not do to only collect the amount, debit cash and credit tax account. In that case the money goes into the general funds, and would be used for general purposes. You must take from the collections at certain times the proportion properly belonging to this fund, and either deposit it in a bank or invest it in a good security. The Sinking Fund account in the Ledger will be debited with the sums invested for this account, showing an existing tangible asset. It is sometimes desirable to provide a Sinking Fund for each of the several issues of debentures when the whole debt is not consolidated.

The principal books of entry required in this set are: Cash-Book, Journal and Ledger, and the minor books, Debenture and Coupon Register, somewhat after the form of a Bill-Book; a Warrant Book in which the authority of the Council for the payment of accounts is entered, each one of which is consecutively numbered; a Receipt Book in which receipts are entered, each bearing a corresponding number with the authority for payment in the Warrant Book: a Non-resident Tax Book giving the particulars respecting the lands of non-residents, the taxes on which the Treasurer usually collects, and any other minor books or forms which peculiar circumstances may demand.

The method of dealing with the Collector is an extremely important consideration in municipal matters, for upon the prompt collection of taxes, and the no less prompt handing over by the Collector to the Treasurer of the money, depends the satisfactory running of the municipal machine in accordance with the estimates.

If the Collector be allowed to retain the money in his possession, and at his convenience pay over to the Treasurer such sums as he may choose, it is quite apparent that an opportunity for other than honest dealing is afforded. It is desirable that EACH DAY the Collector should pay over to the Treasurer all sums of money collected by him, exhibiting at the same time in a book kept by him for the purpose, or from stubs of his receipt book, the names of the parties from whom money has been received, and the amounts, which should be checked by the Treasurer, and a receipt given in the book for each day's collections. This course will obviate the necessity of opening an account with the Collector in the Ledger, a plan which, although pursued in some places, is not adopted in our principal cities, for reasons given in the explanation at the close of the Set. At the close of each year the Collector should be required to make an interim return of taxes remaining uncollected at that time and for that year, the total amount of which, and the money paid over, would exactly tally with the tax rolls; then, after the lapse of considerable time, when it is not possible to collect any more of that year's taxes, he should make out a final return and be relieved of further responsibility. Having so much premised for your general information, you will now proceed to open the Set by journalizing the assets and liabilities. (*See form of Journal*). After journalizing, you will open accounts in the Ledger under the names of the titles used in the Journal, and proceed to post the items; this being done, you are ready to proceed with the current work of the year. As you are aware, there must be an account under some name in all double entry bookkeeping to keep the Ledger in balance, or show capital. In this Set use "City of Ontario" account for this purpose. You will observe that on the start this account shows \$10,553.65 at its debit, which, of course, means that the city's liabilities exceed its assets by that amount.

(See the fuller explanations at the end of the Set).

JOURNAL.

City of Ontario, January, 1906.

L.F.					
187	Sundries Dr. to City of Ontario account.*				
187	Cash Acct. For Balance on hand,.....	\$	250	00	
187	Molsons Bank. For amt. on deposit,.....		395	85	
187	Real Estate. For value of City Buildings and Lots D, B and C in Victoria Ward,.....		57000	00	
187	Property Account. For Miscellaneous property, as detailed in Schedules A, B and C, on file in this office,.....		45000	00	
187	Sinking Fund No. 1. For amounts on deposit to meet accruing debentures of the issue of 1st April, 1896,.....		15300	00	
188	Rents Receivable. For sundry amounts owing 1st January, 1906, as per statement on file in this office,.....		274	50	
188	Non-Resident Taxes. For amount outstanding and considered good, as per non-resident Tax-Book,.....		897	00	
188	Taxes, 1905. For outstanding Taxes, as per Collector's interim return to 1st January, 1906,.....		25329	00	
188	Sinking Fund No. 2. For amt. on deposit to meet accruing debentures of the issue of 1st Aug., 1900,.....		30000	00	
					174,446 35
187	City of Ontario Acct. Dr. to Sundries.†				
188	Debenture Acct. For issue of 1st April, 1896, as per Register,.....		30000	00	
	“ “ “ 1st Aug., 1900, “ “		100000	00	
188	Bills Payable. For Note No. 5 under discount, due 1st July, 1906. ...		20000	00	
188	County of Windsor. For amount owing it, as per Arbitrators' award,.....		35000	00	
					185,000 00

*This entry represents the City's assets on 1st Jan., 1906.

†This entry represents the City's liabilities on the 1st Jan., 1906.

JOURNAL.—Continued

City of Ontario, January, 1906.

L.F.					
187	*CASH ACCT. Dr. to Sundries.				
188	Taxes, 1905.				
	For January receipts as per C. B.....	\$ 14339	65		
188	Rents Receivable.				
	For January receipts as per C. B.....	627	50		
187	Molsons Bank.				
	For Cheques drawn in January as C. B	504	50		
188	Licenses Account				
	For January receipts as C. B.....	555	00		
				\$ 16026	65
187	Sundries Dr. to Cash Account.				
188	Indigent Account.				
	For payments in January as C. B.....	103	74		
189	Interest Account.				
	For payments in January as C. B.....	350	00		
189	Streets Account.				
	For payments in January as C. B.....	2403	10		
189	Fire Department Account.				
	For payments in January as C. B.....	282	95		
189	Thos. McNaughton.				
	For payments in January as C. B.....	45	00		
188	County of Windsor.				
	For payments in January as C. B.....	3000	00		
189	Election Expenses Account.				
	For payment in January as C. B.....	409	00		
187	Molsons Bank.				
	For Deposits in January as C. B.....	8000	00		
189	E. Robinson.				
	For payment in January as C. B.....	100	00		
189	Contingent Account.				
	For payments in January as C. B.....	25	00		
189	Fuel Account.				
	For payments in January as C. B.....	195	50		
187	Property Account.				
	For payments in January as C. B.....	984	20		
				\$ 15898	

* Cash is journalized from the Cash-Book at the end of each month in this Set. **WE HAVE DONE THIS TO ILLUSTRATE THE METHOD OF JOURNALIZING FROM THE CASH-BOOK**; but there is no necessity for journalizing Cash, as it might be posted directly from the Cash-Book into the Ledger, as is done in Sets IX. and XI., the Municipal Cash-Book having the necessary and suitable special columns on each side for monthly posting.

JOURNAL.—Continued.

City of Ontario, January, 1906.

L.F.	Sundries Dr. to Assessment Acct.										
190											
	Ward.	Value of Real Property.	Value of Personal Property	Total Assessment	Statute Labor.	Dogs.	Total amount of Taxes.				
190	Taxes 1906.										
	For Dog Taxes,.....						\$50 00				
	" Statute Labor Taxes.....						78 00				
	" Resident Taxes,.....						\$5,072,246				
	at the rate of 16 mills on the \$						81,155 93				
								\$81,283	93		
188	Non-Resident Taxes.										
	On lands of non-residents,.....						\$40,000	640	00		
	At the rate of 16 mills on the \$										
	Total Assessment,						\$5,112,246				
							Total Taxes,			\$81,923	93
	Corresponding with above abstract from Assessment Rolls duly certified by Auditors.										
190	Assessment Acct. Dr. to Sundries.										
190	Taxes, 1906.										
	For remissions and deductions made by Court of Revision, as per City Clerk's Remission Book, folios 43 and 44, certified by Auditors.....							\$2575 00			
	For Proportion of Separate School Tax as noted on Assessment Roll,.....							1729 00			
								4304	00		
190	Public Schools Account.										
	For Appropriation for 1896 as applied for by the Board of Education as per their Budget sub- mitted to City Council,.....							11,750	00	\$16,054	00
190	Bonus Acct. Dr.							10,000	00		
188	To Debentures Acct.									\$10,000	00
	For 20 debentures for the sum of \$500 each, issued to the Ontario Rolling Mills Co. with the sanction of a majority of the Ratepayers obtained by vote on the 3rd day of January, 1896, and confirmed by the Council on the 5th day of the same month and year, payable in 10 years from 1st January, 1896, with interest at the rate of 4 per cent. per annum, and duly entered and numbered C 1 to 20 in Debenture Register.										

JOURNAL.—Continued.

City of Ontario, January, 1906.

L.F.					
187	City of Ontario Account Dr.....	\$10000	00		
	To Bonus Account.			\$10000	00
190	For amount of bonus granted to the Ontario Rolling Mills Co., transferred.				
	<i>February, 1906.</i>				
187	Cash Dr. to Sundries.				
	For receipts in February as per C. B.				
188	Rents Receivable.....	5500	00		
188	Licenses.....	10700	00		
190	Police Court.....	960	00		
190	Clergy Reserve.....	600	00		
188	Non-Resident Taxes.....	450	00		
190	Gravel Road.....	73	62		
187	Real Estate.....	1050	00		
190	Frontage.....	250	00		
190	Dominion Government.....	430	00		
190	Taxes, 1906.....	57550	00		
188	Taxes, 1905.....	10000	00	\$87563	62
187	Sundries Dr. to Cash.				
	For payments in February as per C. B.				
189	Interest.....	\$ 8750	00		
190	Market Buildings.....	720	00		
191	City Hall.....	1700	00		
191	Market Square.....	850	00		
191	Market No. 2.....	48	00		
191	Insurance.....	600	00		
191	Police Department.....	8540	00		
190	Public Schools.....	11750	00		
189	Fire Department.....	3420	00		
191	Lighting Streets.....	2129	00		
191	Salaries.....	2480	00		
189	T. McNaughton.....	955	00		
189	E. Robinson.....	900	00		
189	Streets.....	10900	00		
191	Public Park.....	329	00		
191	Printing and Stationery.....	928	50		
188	County of Windsor.....	22000	00		
189	Contingent.....	9429	00		
187	Molsons Bank.....	1000	00	\$87428	50

JOURNAL.—Continued.

City of Ontario, February, 1906.

L.F.					
191	SALARIES ACCT. DR. TO SUNDRIES.				
189	T. McNaughton, for Salary, 1906,	\$ 1000	00		
189	E. Robinson, " "	1000	00		
				\$ 2000	00
	NOTE.—The foregoing Journal entries having been posted, you will now take off a Trial Balance to prove correctness of work, after which close the Working Account into Revenue Account as per following Journal entries :				
191	SUNDRIES DR. TO REVENUE ACCT.				
	For amounts transferred to close working accounts for 1906.				
188	Rents Receivable.....	5853	00		
188	Licenses.....	11255	00		
190	Assessment.....	65869	93		
190	Police Court.....	960	00		
190	Clergy Reserve.....	600	00		
190	Gravel Road.....	73	62		
190	Frontage.....	250	00		
190	Dominion Government.....	430	00	85291	55
191	REVENUE ACCT. DR. TO SUNDRIES.				
	For amounts transferred to close working accounts for 1906.				
188	Indigent.....	103	74		
189	Interest.....	9100	00		
189	Streets.....	13303	10		
189	Fire Department.....	3702	95		
189	Election Expense.....	409	00		
189	Contingent.....	9454	00		
189	Fuel.....	195	50		
190	Market Buildings.....	720	00		
191	City Hall.....	1700	00		
191	Market Square.....	850	00		
191	Market No. 2.....	48	00		
191	Insurance.....	600	00		
191	Police Department.....	8540	00		
191	Lighting Streets.....	2129	00		
191	Salaries.....	4480	00		
191	Public Park.....	329	00		
191	Printing and Stationery.....	928	50	56592	79
191	REVENUE ACCT. DR.	28698	76		
187	TO CITY OF ONTARIO ACCT.			28698	76
	For amount transferred to close acct.				

Dr.

[illegible]

See explanation given at the end of Set for making Receipts so large in one month.

A specially ruled form of Cash-Book, very wide, and with many special columns, is now required to be used by the Treasurers of Municipalities in Ontario.

BOOK.

Cr.

1906									
Jan.	1	By Indigent,	Amount paid as per Relief Committee order,	\$	23	90			
	3	" Interest,	Coupons, Debentures A., Nos., 1 to 20		350	00			
	7	" Streets,	Prop. of Pay List No. 1		410	00			
	7	" Fire Dep't,	" " "		193	00			
	9	" T. McNaughton,	Cheque No. 1, account salary		45	00			
	10	" County of Windsor,	Payment on account of award		3000	00			
	12	" Election Expense,	As per Clerk's receipt		409	00			
	15	" Molsons Bank,	Amount deposited		5000	00			
	18	" Indigent,	Amount paid as per Relief Committee order,		79	84			
	"	" E. Robinson,	Account of salary		100	00			
	21	" Streets,	Prop. of Pay List, No. 2		397	50			
	"	" Fire Dep't,	" " "		89	96			
	23	" Contingent,	Expenses of Deputation to Toronto as per Warrant No. 1		25	00			
	25	" Fuel,	J. B. Warren's account for coal as per War- rant No. 2		195	50			
	25	" Streets,	Lumber, J. Morden & Co., as per Warrant No. 3		1595	60			
	28	" Property,	Hose, R. Volney & Co., as per Warrant No. 4		984	20			
	30	" Molsons Bank,	Amount deposited		3000	00			
			<i>Balance,</i>		378	16			
<hr/>									
<i>Entries Journalized, Folio 180.</i>									
					16276	65			
Feb		By Interest Acct.,	For balance of payments in 1906		8750	00			
		" Market Buildings,	" payments in 1906		720	00			
		" City Hall,	" " "		1700	00			
		" Market Square,	" " "		850	00			
		" Market No. 2,	" " "		48	00			
		" Insurance,	" " "		600	00			
		" Police Dep't,	" " "		8540	00			
		" Public Schools,	" appropriation for 1906, paid in full.		11750	00			
		" Fire Dep't	" balance of payments in 1906		3420	00			
		" Lighting Streets,	" payments in 1906		2129	00			
		" Salaries.	" " "		2480	00			
		" T. McNaughton,	" bal. of salary for 1906		955	00			
		" E Robinson,	" " "		900	00			
		" Streets,	" " payments in 1906		10900	00			
		" Public Park,	" payments in 1906		329	00			
		" Printing and Stat'y	" " "		928	50			
		" County of Windsor,	" " on account of award		22000	00			
		" Contingent,	" balance of payments in 1906		9429	00			
		" Molsons Bank,	" Deposited		1000	00			
			<i>Balance</i>		513	28			
<hr/>									
<i>Entries Journalized Folio 182</i>									
					887941	78			

See explanation given at the end of Set for making disbursements so large in one month.

JOURNAL AND CASH-BOOK.

You do not use what is ordinarily called a Day-Book in this set of accounts, and the reason is obvious. In mercantile business, or when any kind of trade is being carried on, of course a book of this nature is desirable, but in the Treasurer's department of a municipality there are few transactions occurring other than the receiving and disbursing of money, and hence the Cash-Book should contain the original entries of these. The form of Journal which is here used affords you the opportunity, when the necessity arises, to make entries other than those affecting cash in a full and comprehensive manner. It may be desirable, and would be quite proper, to keep a memorandum book in which to write the particulars of rents or other matters until you are prepared to journalize.

Monthly journalizing of Cash and all other entries, as here pursued, is admirably suited to municipal bookkeeping in this form. At a glance the Cash-Book shows each entry for the month in detail, with explanations as full as desired; and in the Journal these are grouped under the names of the accounts affected, and in the aggregate transferred to the Ledger; while any other entries that it may be necessary to make for the month follow in the Journal, and are likewise transferred to the Ledger. We put cheques drawn upon, and deposits made in the bank through the Cash-Book, because it is desirable to show details of all cash transactions in one book. It would be quite proper, however, if preferred, to confine the record of cheques to the Journal and Ledger, or post to the Ledger direct from the stubs of the cheque book. The numbering of cheques (the numbers should be printed), and the preservation of them and the stubs are matters which should receive your attention. We have placed the Journal first in the Set, as its first page is taken up with the entries necessary to open the books. Were there no opening entries to make, of course the Cash-Book would have been first in order. You will, however, act as though the Cash-Book, Journal and Ledger were separately before you, and having studied the first page of the Journal, take the Cash-Book as next in order. In it you are supposed to have the record of transactions clearly and distinctly made. If it be desirable to make longer explanations than any of the examples given, make them; use half a dozen or a dozen lines if necessary, for this is the book of original entry, and each one should be accompanied by full and clear information. Where reference can be made to some document, paper, or book giving explanation or authority, of course a simple reference to these is sufficient, as for example, taken from Cash-Book:—"Fuel Account," "J. B. Warren's account for coal as per warrant No. 2," refers to the Coal Merchant's account, and by number to the warrant of the council for its payment. The Cash entries for the month being made, you will ascertain the aggregate of amounts to be debited or credited respectively to each account, and proceed to journalize these (as done on page 180), taking care when journalizing the total debit and credit of each, not to include the balances. Having journalized Cash for the month, your next business is to make any other journal entries that may be required (as done on page 181), and when they are made, and the items of the Journal are posted to the Ledger, the month's work, so far as the books are concerned, is complete, and you are prepared, as required by many municipal bodies, to furnish an intelligent and intelligible statement of the month's transactions.

LEDGER.

Dr.

CITY OF ONTARIO.

Cr.

1906					1906				
Jan.	To Sundries,	179	185000	00	Jan.	By Sundries,	179	174446	35
"	" Bonus acct.,	182	10000	00	Feb	" Revenue acct.,	183	28698	76
	" Balance,		8145	11					
			203145	11				203145	11
						By Balance,		8145	11

CASH ACCOUNT.

Jan.	To City of Ont. acct.	179	250	00	Jan.	By Sundries,	180	15898	49
"	" Sundries,	180	16026	65	Feb	" Sundries,	182	87428	50
Feb	" Sundries,	182	87563	62		" Balance,		513	28
			103840	27				103840	27
	To Balance,		513	28					

MOLSONS BANK.

Jan.	To City of Ont. acct.	179	395	85	Jan.	By Cash acct.,	180	504	50
"	" Cash acct.	180	8000	00		" Balance,		8891	35
Feb	" "	182	1000	00					
			9395	85				9395	85
	To Balance,		8891	35					

REAL ESTATE.

Jan.	To City of Ont. acct.	179	57000	00	Feb	By Cash acct.,	182	1050	00
						" Balance,		55950	00
			57000	00				57000	00
	To Balance,		55950	00					

PROPERTY.

Jan.	To City of Ont. acct.	179	45000	00		By Balance,		45984	20
"	" Cash acct.,	180	984	20				45984	20
			45984	20					
	To Balance,		45984	20					

SINKING FUND, NO. 1.

Jan.	To City of Ont. acct.	179	15300	00					
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Dr.

RENTS RECEIVABLE

Cr.

1906					1906				
Jan.	To City of Ont. acct.	179	274	50	Jan.	By Cash acct.,	180	627	50
Feb	" Revenue acct.,	183	5853	00	Feb	" "	182	5500	00
			6127	50				6127	50

NON-RESIDENT TAXES.

Jan.	To City of Ont. acct.	179	897	00	Feb	By Cash acct.,	182	450	00
"	" Assessment acct.	181	640	00		" Balance,		1087	00
			1537	00				1537	00
	To Balance,		1087	00					

TAXES, 1905.

Jan.	To City of Ont. acct.	179	25329	00	Jan.	By Cash acct.,	180	14339	65
					Feb	" " "	182	10000	00
						" Balance,		989	35
			25329	00				25329	00
	To Balance,		989	35					

SINKING FUND, NO. 2.

Jan.	To City of Ont. acct.	179	30000	00					
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DEBENTURES.

					Jan.	By City of Ont. acct.	179	30000	
					"	" " "	179	100000	
					"	" Bonus acct.,	181	10000	

BILLS PAYABLE.

					Jan.	By City of Ont. acct.	179	20000	00
--	--	--	--	--	------	-----------------------	-----	-------	----

COUNTY OF WINDSOR.

Jan.	To Cash acct.,	180	3000	00	Jan.	By City of Ont. acct.	179	35000	00
Feb	" " "	182	22000	00					
	" Balance,		10000	00					
			35000	00				35000	00
						By Balance,		10000	00

LICENSES.

Feb	To Revenue acct.	183	11255	00	Jan.	By Cash acct.,	180	555	00
					Feb	" " "	182	10700	00
			11255	00				11255	00

INDIGENT.

Jan.	To Cash acct.,	180	103	74	Feb	By Revenue acct.,	183	103	74
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Dr.

INTEREST.

Cr.

1906 Jan. Feb	To Cash acct.,	180	350	00	1906 Feb	By Revenue acct.,	183	9100	00
	" " "	182	8750	00					
			<u>9100</u>	<u>00</u>				<u>9100</u>	<u>00</u>

STREETS.

Jan.	To Cash acct.,	180	2403	10	Feb	By Revenue acct.,	183	13303	10
Feb	" " "	182	10900	00					
			<u>13303</u>	<u>10</u>				<u>13303</u>	<u>10</u>

FIRE DEPARTMENT.

Jan.	To Cash acct.,	180	282	95	Feb	By Revenue acct.,	183	3702	95
Feb	" " "	182	3420	00					
			3702	95				3702	95

THOMAS McNAUGHTON (CITY CLERK).

Jan.	To Cash acct.,	189	45	00	Feb	By Salaries acct.,	183	1000	00
Feb	" " "	182	955	00					
			1000	00				1000	00

ELECTION EXPENSE.

Jan.	To Cash acct.,	180	409	00	Feb	By Revenue acct.,	183	409	00
------	----------------	-----	-----	----	-----	-------------------	-----	-----	----

E. ROBINSON (CITY TREASURER).

Jan. Feb	To Cash acct.,	180	100	00	Feb	By Salaries acct.,	183	1000	00
	" " "	182	900	00					
			<u>1000</u>	<u>00</u>				<u>1000</u>	<u>00</u>

CONTINGENT.

Jan.	To Cash acct.,	180	25	00	Feb	By Revenue acct.,	183	9454	00
Feb	" " "	182	9429	00					
			<hr/>	<hr/>				<hr/>	<hr/>
			9454	00				9454	00

FUEL.

Jan.	To Cash acct.,	180	195	50	Feb	By Revenue acct.,	183	195	50
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Dr.

TAXES, 1906.

Cr.

1906 Jan.	To Assessment acct.,	181	81283	93	1906 Jan. Feb	By Assessment acct.,	181	4304	00
						" Cash acct.,	182	57550	00
						" Balance,		19429	93
			81283	93				81283	93
	To Balance,		19429	93					

ASSESSMENT.

Jan. Feb	To Sundries,	181	16054	00	Jan.	By Sundries,	181	81923	93
	" Revenue acct.,	183	65869	93					
			81923	93				81923	93

PUBLIC SCHOOLS.

Feb	To Cash acct.	182	11750	00	Jan.	By Assessment acct.	181	11750	00
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BONUS.

Jan.	To Debenture acct.,	181	10000	00	Jan.	By City of Ont. acct	182	10000	00
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POLICE COURT.

Feb	To Revenue acct.,	183	960	00	Feb	By Cash acct.,	182	960	
-----	-------------------	-----	-----	----	-----	----------------	-----	-----	--

CLERGY RESERVE.

Feb	To Revenue acct.,	183	600	00	Feb	By Cash acct.,	182	600	00
-----	-------------------	-----	-----	----	-----	----------------	-----	-----	----

GRAVEL ROAD.

Feb	To Revenue acct.,	183	73	62	Feb	By Cash acct.,	182	73	62
-----	-------------------	-----	----	----	-----	----------------	-----	----	----

FRONTAGE.

Feb	To Revenue acct.,	183	250	00	Feb	By Cash acct.,	182	250	00
-----	-------------------	-----	-----	----	-----	----------------	-----	-----	----

DOMINION GOVERNMENT.

Feb	To Revenue acct.,	183	430	00	Feb	By Cash acct.,	182	430	00
-----	-------------------	-----	-----	----	-----	----------------	-----	-----	----

MARKET BUILDINGS.

Feb	To Cash acct.,	182	720	00	Feb	By Revenue acct.,	183	720	00
-----	----------------	-----	-----	----	-----	-------------------	-----	-----	----

Dr.

CITY HALL.

Cr.

1906 Feb	To Cash acct.,	182	1700	00	1906 Feb	By Revenue acct.,	183	1700	00
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MARKET SQUARE.

Feb	To Cash acct.,	182	850	00	Feb	By Revenue acct.,	183	850	00
-----	----------------	-----	-----	----	-----	-------------------	-----	-----	----

MARKET NO. 2.

Feb	To Cash acct.,	182	48	00	Feb	By Revenue acct.,	183	48	00
-----	----------------	-----	----	----	-----	-------------------	-----	----	----

INSURANCE.

Feb	To Cash acct.,	182	600	00	Feb	By Revenue acct.,	183	600	00
-----	----------------	-----	-----	----	-----	-------------------	-----	-----	----

POLICE DEPARTMENT.

Feb	To Cash acct.,	182	8540	00	Feb	By Revenue acct.,	183	8540	00
-----	----------------	-----	------	----	-----	-------------------	-----	------	----

LIGHTING STREETS.

Feb	To Cash account.,	182	2129	00	Feb	By Revenue acct.,	183	2129	00
-----	-------------------	-----	------	----	-----	-------------------	-----	------	----

SALARIES.

Feb	To Cash acct.,	182	2480	00	Feb	By Revenue acct.,	183	4480	00
"	" Sundries,	183	2000	00					
			4480	00				4480	00

PUBLIC PARK.

Feb	To Cash acct.,	182	329	00	Feb	By Revenue acct.,	183	329	00
-----	----------------	-----	-----	----	-----	-------------------	-----	-----	----

PRINTING AND STATIONERY.

Feb	To Cash acct.,	182	928	50	Feb	By Revenue acct.,	183	928	50
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REVENUE.

Feb	To Sundries,	183	56592	79	Feb	By Sundries,	183	85291	55
"	" City of Ont. acct.	183	28698	76					
			85291	55				85291	55

*TRIAL BALANCE.

Fol.	ACCOUNT.	DR.		CR.	
187	City of Ontario.....	\$	20553 65		
187	Cash.....		513 28		
187	Molsons Bank.....		8891 35		
187	Real Estate.....		55950 00		
187	Property.....		45984 20		
187	Sinking Fund, No. 1.....		15300 00		
188	Rents Receivable.....			5853	00
188	Non-Resident Taxes.....		1087 00		
188	Taxes, 1905.....		989 35		
188	Sinking Fund, No. 2.....		30000 00		
188	Debenture account.....			140000	00
188	Bills Payable.....			20000	00
188	County of Windsor.....			10000	00
188	License account.....			11255	00
188	Indigent account.....		103 74		
189	Interest account.....		9100 00		
189	Streets.....		13303 10		
189	Fire Department.....		3702 95		
189	Election Expenses.....		409 00		
189	Contingent account.....		9454 00		
189	Fuel account.....		195 50		
190	Taxes, 1906.....		19429 93		
190	Assessment account.....			65869	93
190	Police Court.....			960	00
190	Clergy Reserve.....			609	00
190	Gravel Road.....			73	62
190	Frontage.....			250	00
190	Dominion Government.....			430	00
190	Market Buildings.....		720 00		
191	City Hall.....		1700 00		
191	Market Square.....		850 00		
191	Market No. 2.....		48 00		
191	Insurance.....		600 00		
191	Police Department.....		8540 00		
191	Lighting Streets.....		2129 00		
191	Salaries.....		4480 00		
191	Public Park.....		329 00		
191	Printing and Stationery.....		928 50		
			\$255291 55	\$255291 55	

This Trial Balance exhibits the *balances* of the accounts, not the footings.

ASSETS AND LIABILITIES.

STATEMENT.

Ledger Folio.	Assets.		Ledger Folio.	Liabilities.	
187	Cash,	\$ 513 28	188	Debentures,	\$140000 00
187	Molsons Bank,	8891 35	188	Bills Payable,	20000 00
187	Real Estate,	55950 00	188	County of Windsor,	10000 00
187	Property,	45984 20	187	City of Ontario, being bal-	
187	Sinking Fund, No. 1.	15300 00		ance showing amount of	
188	Non-Resident Taxes,	1087 00		assets over liabilities.	8145 11
188	Taxes, 1905,	989 35			
188	Sinking Fund, No. 2,	30000 00			
190	Taxes, 1906,	19429 93			
		\$178145 11			\$178145 11

EXPLANATORY NOTES.

Owing to the limited space which any one set of books may occupy in a work of this kind, curtailment is, of course, a necessity, and hence we have been obliged to compress into two months what ordinarily would be spread over a year. In the first month, however, ordinary receipts and expenditures are recorded, but in the second, in order to be in a position to instruct you how to close the books at the end of a year, aggregate sums for the balance of the year are entered; for the months which these aggregate sums represent, our entries would be similar to, and made after the manner of, the examples given in the first month.

The method of making the assessment entry is important, and should receive your careful attention. It is desirable, as you will presently see, that there should be in the Ledger a Tax account for each year, the proper time for opening it being when the Assessors have completed their work, and the Assessment Rolls are in the Collector's hands, and money is being paid on its account, the sums so received being, of course, passed to its credit. Afterwards, when the Court of Revision has made all remissions and deductions, and these, properly certified by the Auditors, have been ascertained from the City Clerk's remission book, and the Rolls have been handed to you by the Auditors with their certificate of correctness, you will be in possession of the data from which to accurately make the Assessment entry, in the manner shown on page 181. As Auditors for any past year are not appointed till the first meeting of the Council for the succeeding year, your assessment entry is necessarily delayed till December, hence the necessity of the year's tax account being opened before then. You will see that in making the assessment entry in the form prescribed, you show accurately each year's revenue within the year. All the taxes for the year will not have been collected at the time you make the entry, but the amount outstanding is shown by the balance (corresponding with the Collector's interim return mentioned before) at the Tax account's debit when you close the books for the year. The Tax account for any one year should be kept open just so long as there are unpaid taxes on the roll likely to be collected. When it becomes impossible to collect any more, probably after the lapse of a year or so, it should be closed into City of Ontario account.

The blank form given in the assessment entry, page 181, is used to show, in abstract, the amount of the various taxes on the Assessment Rolls, with the totals of which it ought, of course, to correspond.

If you will consider the assessment entry, the foregoing explanations, and what is said on page 178 regarding the method of dealing with the Collector, you will perceive the advantage afforded by separate yearly tax accounts in securing prompt returns, clearly defined and reliable records of each year complete within itself, and the prevention of a lax system, either on the part of the Treasurer, Collector or other official.

The reason why we have adopted the plan of dealing with the Collector here pursued, instead of opening an account for him in the Ledger, and debiting him with the amount of the Assessment Rolls placed in his hands for collection, and crediting him with sums collected for taxes is, that we have observed in more than one instance, where the latter system is in vogue, the absence of promptness in making returns, and what follows as the natural result of this, an unsatisfactory condition of affairs between the Collector and the City, and in the Treasurer's books, laxity, incompleteness, and a deceptive and unreliable state of the accounts. We are acquainted with the books of one Municipality, in the Ledger of which there stood at the debit of the Collector a sum of over \$100,000, brought down as a balance from the previous year, the Collector not having returned the Assessment Rolls for three years, and no attempt having been made during that time to effect a settlement with him. In the method we adopt, we recognize but one Treasurer, and treat the Collector simply as a channel through which the daily collections of taxes reach the Treasurer's hands.

The bonus granted to the Ontario Rolling Mills Co. is charged to Bonus account (see Journal 181), because it is desirable to turn to this account at any time to see by direct reference the particulars of bonuses; but it is by the next entry (see Journal 182), written off to the City of Ontario account, and not allowed to stand in the form of an asset, which, of course, being a gift, it is not.

At the maturity of any debentures issue, for which a Sinking Fund has been provided in the manner recommended on page 177, the amount at the credit of Debenture account, representing the issue, would be written off by a debit the corresponding credit of which would close its Sinking Fund account.

As the proportion of Separate School Taxes does not come into the Treasurer's hands, we credit the Tax account of any year with its amount; the total of the Assessment Roll having been charged. (See Journal 181).

We have given two accounts with salaried officers of the corporation, and charged the amounts supposed to be paid to the other officials direct to

Salary account. You will see by referring to these individual accounts that at the end of the year they are closed by Salary account. Of course, in actual work more of the officials would have individual accounts.

Rents we have put through Rents account, but it is desirable when there are many tenants to have individual accounts with them.

The Sinking Fund levy, which we recommend to be made yearly, except under peculiar circumstances, we have omitted, with the understanding that this year is a very hard one, and that next year a double levy will be made. For the same reason we do not pay off the Note under discount which matured on 1st July, but continue to use the loan, paying therefor a rate of interest as agreed upon with the Bank.

*REVENUE ACCOUNT

is similar to Loss and Gain account, and is used, as you will see on page 183, to close the accounts for the year that are neither assets nor liabilities, but representative or working accounts. It does not show all the receipts and expenditures of cash, for, of course, when an amount is received for property sold, as for instance the sale of lots, it is passed to the credit of Real Estate account, and likewise, when a sum has been paid on the reduction of a liability which is already in your Ledger, that account is debited with it; for example, see County of Windsor account. To ascertain, therefore, the receipts and expenditures for the year, you will go through the several Ledger accounts which show them. *Should there be any outstanding debts at the end of the year, which you have been unable to pay, you will credit the parties to whom they are owing, and debit the accounts to which they should be charged.* This should be done before closing the accounts that are transferred to Revenue account. In actual work the amount of interest accrued on the note overdue since the first of July would be debited to interest account and credited to the bank. The aim is to make the transactions of each year complete within the books before they are closed.

At the opening of the Set, the City of Ontario account showed that the city's liabilities exceed its assets by over \$10,000; but at the close this is reversed, and the assets exceed the liabilities by over \$8,000. If you study the matter you will see that this has been brought about by the reduction, by \$25,000, of the liability to the County of Windsor, an addition to the bank deposit of over \$8,400, a few other minor reductions of liabilities, and, per

* Read explanation of Revenue account further on. See Index.

contra, the payment of a \$10,000 bonus, and a few minor reductions in the assets. We may remark that the assets shown on the books of a municipal corporation are, to a large extent, nominal. Its ability to pay its liabilities' is not reckoned by what the corporation of the city may own, but by the value of the city's whole assessable property. You will understand this after a few moments' thought. For instance, the cost of a bridge is shown on the books to be \$10,000. The bridge is nominally worthless, so far as its saleable value is concerned, but it is a thing of value to the corporation, and is therefore regarded as an asset, and its cost stands at the debit of an account from year to year.

It might be desirable, however, to write off a certain percentage of this account yearly, as the bridge becomes less valuable by reason of wear and tear; certainly in ordinary business this principle should be carried out, Loss and Gain being made debtor yearly to the account for the estimated depreciation.

During the year you are supposed to have kept all the papers, warrants, cheques and vouchers, in a neat and convenient form for reference; the warrants, cheques and vouchers being consecutively numbered, and on the appointment of the auditors you are prepared to submit your work for their examination, exhibiting with your Ledger the Trial Balance and Asset and Liability statement in the forms given on page 192. Their duty, of course, will be to first check your work, and afterwards prepare in detail an abstract from your books, showing the year's receipts and expenditures, and also the items composing the several asset and liability accounts, and to make any suggestion or recommendation that they may deem desirable.

FARM ACCOUNTS.

Originally prepared by J. W. Johnson, at the suggestion of the Honorable the Provincial Treasurer of Ontario, for a Royal Commission appointed to take evidence on agricultural matters, and recommended by the Commissioners.

TO TEACHERS.

The keeping of accounts by farmers is strongly recommended, and in this connection we would say to Teachers in rural sections desiring to add something of practical value to their curriculum, that they can teach any boy of ordinary ability to keep books on the farm after this method.

Commence with, say, the first seven Sets in this book, then let them write up the Day-Book transactions only of the Farm Set, and work out the Journal, Ledger and statements for themselves.

FARM ACCOUNTS.

Township of Thurlow, April, 1906.

DAY-BOOK.

JOURNAL.

John Roblin this day commences to keep a set of books by double entry for the purpose of recording the business of his farm and to determine yearly his gains and losses, and assets and liabilities.

INVENTORY OF
PROPERTY.

Real Estate, 50 acres, as under :

Field No. 1, 8 acres.

Field No. 2, 8 "

Field No. 3, 8 "

Field No. 4, 4 "

Field No. 5, 4 "

Field No. 6, 8 "

Field No. 7, 6 "

Orchard, Garden

and Buildings, 4 "

—
50 acres

valued, including buildings,
at \$75 per acre,

Household Furniture,

Plant as under :

2 Teams\$400.00

1 Reaper 100.00

1 Mower 75.00

2 Plows at \$15. 30.00

1 Harrow 15.00

2 sets Harness at

\$25 50.00

2 Whiffletrees at

\$2.50 5.00

1 Waggon 75.00

1 Buggy 100.00

1 Cultivator 10.00

1 Horse Rake 24.00

Sundry Implements 6.00

\$890.00

Live Stock as under :

5 Cows\$150.00

10 Sheep 50.00

3 Hogs 15.00

Cash 525 00

Farm produce, oats, hay,
&c., &c., on hand 320 00

Field No. 6 10 00

For value of timothy and
clover seed in ground.

\$6230 00

1 Real Estate

1 Furniture

1 Plant

1 Live Stock

2 Cash

2 Farm Produce

3 Field No. 6

1 To Capital,

Dr. \$3750 00

" 520 00

" 890 00

" 215 00

" 525 00

" 320 00

" 10 00

\$6230 00

Carried forward,

\$6230 00 \$6230 00

Township of Thurlow, April 1906.

DAY BOOK.

JOURNAL.

3rd.			3rd.	Forward,	\$6230 00	\$6230 00
Paid Cash for seed :						
Fields Nos. 1 and 2, 32			3 Fields Nos. 1 & 2,	Dr.	24 00	
bush. Barley at 75c.,	\$ 24 00		3 Field No. 3	"	16 00	
Field No. 3, 16 bush.			3 " " 4	"	4 00	
Wheat at \$1,	16 00		3 " " 5	"	5 00	
Field No. 4, 8 bush.			2 To Cash,			49 00
Oats, at 50c.,	4 00					
Field No. 5, Indian Corn						
and Potatoes,	5 00	\$ 49 00				
11th.						
Credit John Thompson,	9 00		3 Fields Nos. 1 & 2,	Dr.	18 00	
Credit Wm. Wilson, for	9 00		4 To John Thompson,			9 00
9 days' labor each on			4 To Wm. Wilson,			9 00
Fields Nos. 1 & 2,		18 00				
16th.						
Credit Jno. Thompson,	4 50		3 Field No. 3,	Dr.	9 00	
Credit Wm. Wilson, for	4 50		4 To John Thompson,			4 50
4½ days' labor each on			4 " Wm. Wilson,			4 50
Field No. 3,		9 00				
19th.						
Credit John Thompson,	2 25		3 Field No. 4,	Dr.	4 50	
Credit Wm. Wilson, for	2 25		4 To John Thompson,			2 25
2½ days' each on Field			4 " Wm. Wilson,			2 25
No. 4,		4 50				
23rd.						
Credit John Thompson,	4 50		3 Field No. 5,	Dr.	9 00	
Credit Wm. Wilson, for	4 50		4 To John Thompson,			4 50
4½ days' each on Field			4 " Wm. Wilson,			4 50
No. 5,		9 00				
28th,						
Paid Cash for Garden			4 Garden & Orchard,	Dr.	6 00	
Seed,			2 To Cash,			6 00
Ohio Corn for green feed						
Vetches, Millet, &c.,		6 00				
"						
Paid Cash for labor on			4 Garden & Orchard,	Dr.	9 00	
Orchard and Garden,		9 00	2 To Cash,			9 00
30th.						
Paid John Thompson on			4 John Thompson,	Dr.	10 00	
account,	10 00		4 Wm. Wilson,	"	10 00	
Paid Wm. Wilson on			2 To Cash,			20 00
account,	10 00	20 00				
The milk from our 5 cows						
is taken by the Allen						
Cheese Factory at the						
rate of 8c. for a gallon						
of 10 lbs.						
May 5th.						
Received from Allen			2 Cash,	Dr.	15 70	
Cheese Factory for			5 To Cows,			15 70
milk in April, Cash,		15 70				
29th.						
Paid John Thompson			4 John Thompson,	Dr.	10 25	
account in full,	10 25		4 Wm. Wilson,	"	10 25	
Paid Wm. Wilson account			2 To Cash,			20 50
in full,	10 25	20 50				
			Carried forward,		\$6390 70	\$6390 70

Township of Thurlow, June, 1906.

DAY BOOK.

JOURNAL.

June 1st.				Amts. forward, June 1st.	\$6390 70	\$6390 70
Paid Cash for Groceries	\$ 7 50			5 House Expenses Dr.	24 50	
" " Dry Goods	17 00	\$ 24 50		2 To Cash,		24 50
30th.				30th.		
Have clipped and sold for cash,				5 Cash Dr.	43 00	
60 lbs. Wool at 30c.,	18 00			2 To Sheep,		43 00
Sold for cash 10 Lambs at \$2.50	25 00	43 00				
"				"		
Have harvested from Field No. 6, 20 tons Hay assumed to be worth \$10 per ton,		200 00		2 Farm Produce Dr.	200 00	200 00
"				3 To Field No. 6,		
Paid for harvesting Hay,		7 00		"		
July 31st.				2 Field No. 6 Dr.	7 00	7 00
Have harvested and threshed from Fields Nos. 1 and 2, 560 bush. Barley (average 35 to acre) for which I have been offered, and have accepted for October delivery 75c per bush.		420 00		3 To Cash,		
August 5th.				July 31st.		
Have harvested, threshed and sold 240 bush. Wheat for cash from Field No. 3, at \$1.20.	288 00			3 Farm Produce Dr.	420 00	
Put into Barn for use from same field, 20 bush. Wheat at \$1.20.	24 00	312 00		2 To Fields Nos. 1 & 2		420 09
"						
Credit Jno. Thompson 4 days, Fields 1 & 2,	4 00			August 5th.		
Credit Wm. Wilson 3 days, Fields 1 & 2,	3 00	7 00		2 Cash Dr.	288 00	
"				2 Farm Produce "	24 00	
Credit Jno. Thompson 3½ days, Field 3,	3 50			3 To Field No. 3.,		312 00
Credit Wm. Wilson 3½ days, Field 3,	3 50	7 00		"		
15th.				3 Fields 1 and 2, Dr.	7 00	
Paid for threshing Barley, Fields Nos. 1 & 2, 560 bush. at 5c.	28 00			4 To John Thompson		4 00
Paid for threshing Wheat, Field No. 3, 260 bush. at 6c.	15 60	43 60		4 " W. Wilson,		3 00
"				"		
Have harvested and threshed from Field No. 4, 160 bush. Oats assumed to be worth 50c. a bush.		80 00		3 Field No. 3 Dr.	7 00	
				4 To John Thompson		3 50
				4 " W. Wilson,		3 50
				15th.		
				3 Fields Nos. 1 & 2 Dr.	28 00	
				3 Field No. 3, "	15 60	
				2 To Cash,		43 60
				"		
				2 Farm Produce Dr.	80 00	
				3 To Field No. 4,		80 00
				Carried forward,	\$7534 80	\$7534 80

Township of Thurlow, August, 1906.

DAY-BOOK.

JOURNAL.

30th.			30th.	Forward,	\$7534 80	\$7534 80
Paid Cash for harvesting Oats, Field No. 4,	\$ 5 00		3 Field No. 4	Dr.	9 80	
Paid Cash for threshing Oats, Field No. 4,	4 80	\$ 9 80	2 To Cash,			9 80
"			"			
Received from "Allen Cheese Factory" Cash in settlement to date,		62 80	2 Cash	Dr.	62 80	
			5 To Cows,			62 80
Sept. 15th.			Sept. 15th.			
Have harvested from Field No. 5:			2 Farm Produce	Dr.	144 00	
120 bu. Corn assumed to be worth 70c.,	84 00		3 To Field No. 5,			144 00
150 bu. Potatoes assumed to be worth 40c.,	60 00	144 00				
"			"			
Paid John Thompson Cash in full of acct.,	7 50		4 John Thompson	Dr.	7 50	
Paid William Wilson Cash in full of acct.,	6 50	14 00	4 Wm. Wilson	Dr.	6 50	
"			2 To Cash,			14 00
Paid for labor on Field No. 5,		19 00	"			
"			4 Field No. 5	Dr.	19 00	
Paid for Dry Goods as per bill of Foster & Reid,		47 50	2 To Cash,			19 00
30th.			"			
Have harvested from 3 acres of Orchard 468 bbls. Apples, which I sold for Cash to a Montreal buyer, at \$1.25,		585 00	5 House Expenses	Dr.	47 50	
"			2 To Cash,			47 50
Paid for picking and barreling the above Apples, Oct. 29th.		50 00	30th.			
Received Cash for Barley, as per agreement recorded July 31st,		420 00	2 Cash	Dr.	585 00	
Nov. 30th.			4 To Garden and Orchard,			585 00
Received from "Allen Cheese Factory" Cash in full for season,		47 10	"			
"			4 Garden & Orchard	Dr.	50 00	
Paid "Allen Cheese Factory," for Butter and Cheese got during the season for house use,		15 20	2 To Cash,			50 00
Dec. 15th.			Oct. 29th.			
Sold 40 bush. Oats for Cash, at 48c.,		19 20	2 Cash	Dr.	420 00	
1907-Jan. 20th.			2 To Farm Produce,			420 00
Sold 20 bush. Potatoes for Cash, at 50c.,		10 00	Nov. 30th.			
			2 Cash	Dr.	47 10	
			5 To Cows,			47 10
			"			
			5 House Expenses	Dr.	15 20	
			2 To Cash,			15 20
			Dec. 15th.			
			2 Cash	Dr.	19 20	
			2 To Farm Produce,			19 20
			1907-Jan. 20th.			
			2 Cash	Dr.	10 00	
			2 To Farm Produce,			8 00
			4 " Field No. 5,			2 00
			Carried forward,		\$8978 40	\$8978 40

Township of Thurlow, January, 1907.

DAY BOOK.

JOURNAL.

20th.			20th.	Forward,	\$8978 40	\$8978 40
Paid subscriptions to Church for one year,		20 00	5 House Expenses, Dr.	20 00		20 00
March 31st.			5 To Cash,			20 00
Paid Conger Brothers their account for Groceries to date,	\$ 14 90		March 31st.			
Paid subscription to "Weekly Globe,"	2 00		5 House Expenses, Dr.	18 90		18 90
Paid subscription to "Farmers' Advocate,"	2 00	18 90	2 To Cash,			18 90
"			31st.			
Paid Taxes for 1906,	27 00		5 House Expenses, Dr.	138 10		138 10
" J. B. Graham for 1 suit Clothes for self and 2 for the boys,	53 00		2 To Cash,			138 10
Paid George Wallbridge for Groceries in full to date,	42 50					
Paid John McKeown for Boots and Shoes,	15 60	138 10				
"			5 Horse Keep, Dr.	210 00		210 00
Credit Farm Produce account with Horse Keep, Oats, Hay, etc., used,		210 00	2 To Farm Produce,			210 00
"						
Credit Cows with Milk used in House,		30 00	5 House Expenses, Dr.	30 00		30 00
"			5 To Cows,			30 00
Charge Cows as under For Pasture — Field No. 7,	25 00		5 Cows, Dr.	95 00		25 00
For Garden Feed — Garden and Orchard,	10 00		6 To Field No. 7,			10 00
For Hay, Straw, &c., — Farm Produce,	60 00	95 00	4 " Garden & Orchard,			60 00
"			2 " Farm Produce,			
Charge Sheep as under, For Pasture — Field No. 7,	5 00					
For Hay, &c., — Farm Produce,	10 00	15 00	5 Sheep, Dr.	15 00		5 00
"			6 To Field No. 7,			10 00
Give Farm Produce account Credit for Stuff used for House,		65 00	2 " Farm Produce,			
"						
Write off from the value of Plant 10 per cent. for wear and tear,		89 00	5 House Expenses, Dr.	65 00		65 00
			2 To Farm Produce,			65 00
			6 Loss and Gain, Dr.	89 00		89 00
			1 To Plant,			
					\$9659 40	\$9659 40

Dr.

CAPITAL.

Cr.

1907 April	1	To Balance,	6	\$7185	50	1906 April	1	By Sundries,	1	\$6230	00
						1907 April	1	" <i>Loss and Gain</i> ,	6	955	50
				7185	50					7185	50

REAL ESTATE.

1906 April	1	To Capital,	1	3750	00	1907 April	1	By Balance,	6	3750	00
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FURNITURE.

April	1	To Capital,	1	520	00	April	1	By Balance,	6	520	00
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PLANT.

April	1	To Capital,	1	890	00	1907 Mar. April	31 1	By Loss and Gain, " <i>Balance</i> ,	5 6	89 801	00 00
				890	00					890	00

LIVE STOCK.

April	1	To Capital,	1	215	00	1907 April	1	By Balance,	6	215	00
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CASH.

1906 April	1	To Capital,	1	525	00	1906 April	3	By Sundries,	2	49	00
May	5	" Cows,	2	15	70	"	28	" Garden & Orchard	2	6	00
June	30	" Sheep,	3	43	00	"	28	" "	2	9	00
Aug.	5	" Field No. 3,	3	288	00	"	30	" Sundries,	2	20	00
"	30	" Cows,	4	62	80	May	29	" "	2	20	50
Sept.	30	" Garden & Orchard	4	585	00	June	1	" House Expenses,	3	24	50
Oct.	29	" Farm Produce,	4	420	00	"	30	" Field No. 6,	3	7	00
Nov.	30	" Cows,	4	47	10	Aug.	15	" Sundries,	3	43	60
Dec.	15	" Farm Produce,	4	19	20	"	30	" Field No. 4,	4	9	80
1907 Jan.	20	" Sundries,	4	10	00	Sept.	15	" Sundries,	4	14	00
						"	15	" Field No. 5,	4	19	00
						"	15	" House Expenses,	4	47	50
						"	30	" Garden & Orchard	4	50	00
						Nov.	30	" House Expenses,	4	15	20
						1907 Jan.	20	" "	5	20	00
						Mar.	1	" "	5	18	90
						"	1	" "	5	138	10
						April	1	" <i>Balance</i> ,	6	1503	70
				2015	80					2015	80

Dr.

FARM PRODUCE.

Cr.

1906					1906				
April	1	To Capital,	1	\$ 320 00	Oct. 29	By Cash,	4	\$ 420 00	
June	30	" Field No. 6,	3	200 00	Dec. 15	" Cash,	4	19 20	
July	31	" Fields Nos. 1 & 2,	3	420 00	1907				
Aug.	5	" Field No. 3,	3	24 00	Jan. 20	" Cash,	4	8 00	
"	15	" Field No. 4,	3	80 00	Mar. 31	" Horse Keep,	5	210 00	
Sept.	15	" Field No. 5,	4	144 00	" 31	" Cows,	5	60 00	
					" 31	" Sheep,	5	10 00	
					" 31	" House Expenses,	5	65 00	
					April 1	" Balance,	6	395 80	
				1188 00				1188 00	

FIELD No. 6.

(Grass.)

1906					1906				
April	1	To Capital,	1	10 00	June 30	By Farm Produce,	3	200 00	
June	30	" Cash,	3	7 00					
1907									
April	1	" Loss and Gain,	6	183 00					
				200 00				200 00	

FIELDS Nos. 1 & 2.

(Barley.)

April	3	To Cash,	2	24 00	July 30	By Farm Produce,	3	420 00	
"	11	" Sundries,	2	18 00					
Aug.	5	" Sundries,	3	7 00					
"	15	" Cash,	3	28 00					
1907									
April	1	" Loss and Gain,	6	343 00					
				420 00				420 00	

FIELD No. 3.

(Wheat.)

April	3	To Cash,	2	16 00	Aug. 5	By Sundries,	3	312 00	
"	16	" Sundries,	2	9 00					
Aug.	5	" Sundries,	3	7 00					
"	15	" Cash,	3	15 60					
1907									
April	1	" Loss and Gain,	6	264 40					
				312 00				312 00	

FIELD No. 4.

(Oats.)

1906					Aug. 15	By Farm Produce,	3	80 00	
April	3	To Cash,	2	4 00					
"	19	" Sundries,	2	4 50					
Aug.	30	" Cash,	4	9 80					
1907									
April	1	" Loss and Gain,	6	61 70					
				80 00				80 00	

*Dr.*FIELD No. 5.
(Corn and Potatoes.)*Cr.*

1906					1906				
April	3	To Cash,	2	\$ 5 00	Sept.	15	By Farm Produce,	4	144 00
"	23	" Sundries,	2	9 00	1907				
Sept.	15	" Cash,	4	19 00	Jan.	20	" Cash,	4	2 00
1907									
April	1	" <i>Loss and Gain</i> ,	6	113 00					
				146 00					146 00

JOHN THOMPSON (Hired Man).

1906					1906				
April	30	To Cash,	2	10 00	April	11	By Fields 1 and 2,	2	9 00
May	29	" "	2	10 25	"	16	" Field No. 3,	2	4 50
					"	19	" " " 4,	2	2 25
					"	23	" " " 5,	2	4 50
				20 25					20 25
Sept.	15	To Cash,	4	7 50	Aug.	5	By Fields 1 and 2,	3	4 00
					"	5	" Field No. 3,	3	3 50
				7 50					7 50

WM. WILSON (Hired Man).

April	30	To Cash,	2	10 00	April	11	By Fields 1 and 2,	2	9 00
May	29	" "	2	10 25	"	16	" Field No. 3,	2	4 50
					"	19	" " " 4,	2	2 25
					"	23	" " " 5,	2	4 50
				20 25					20 25
Sept.	15	To Cash,	4	6 50	Aug.	5	By Fields 1 and 2,	3	3 00
					"	5	" Field No. 3,	3	3 50
				6 50					6 50

GARDEN AND ORCHARD.

April	28	To Cash,	2	6 00	Sept.	30	By Cash,	4	585 00
"	"	" "	2	9 00	Mar.	31	" Cows,	5	10 00
Sept.	30	" "	4	50 00					
1907									
April	1	" <i>Loss and Gain</i> ,	6	530 00					
				595 00					595 00

COWS.

Mar.	3	To Sundries,	5	95 00	May	5	By Cash,	2	15 70
1907					Aug.	30	" "	4	62 80
April	1	" <i>Loss and Gain</i> ,	6	60 60	Nov.	30	" "	4	47 10
					1907				
					Mar.	31	" House Expenses,	5	30 00
				155 60					155 60

Dr.

HOUSE EXPENSES.

Cr.

1906					1907						
June	1	To Cash,	3	\$ 24	50	Apl.	1	By Loss and Gain,	6	\$359	20
Sept.	15	" "	4	47	50						
Nov.	30	" "	4	15	20						
1907											
Jan.	20	" "	5	20	00						
Mar.	31	" "	5	18	90						
"	31	" "	5	138	10						
"	31	" Cows,	5	30	00						
"	31	" Farm Produce,	5	65	00						
				359	20					359	20

SHEEP.

Mar.	31	To Field No. 7,	5	5	00	June	30	By Cash,	3	43	00
"	31	" Farm Produce,	5	10	00						
1907											
Apl.	1	" Loss and Gain,	6	28	00						
				43	00					43	00

HORSE KEEP.

Mar.	31	To Farm Produce,	5	210	00	1907					
						Apl.	1	By Loss and Gain,	6	210	00

FIELD No. 7.
(Pasture.)

1907						1907					
Apl.	1	To Loss and Gain,	6	30	00	Mar.	31	By Cows,	5	25	00
						"	31	" Sheep,	5	5	00
				30	00					30	00

LOSS AND GAIN.

1907						1907					
Mar.	31	To Plant,	5	89	00	Apl.	1	By Fields 1 and 2,	3	343	00
Apl.	1	" House Expenses,	5	359	20	"	1	" Field No. 3,	3	264	40
"	1	" Horse Keep,	5	210	00	"	1	" Field No. 4,	3	61	70
"	1	" Capital,	1	955	50	"	1	" Field No. 5,	3	113	00
						"	1	" Field No. 6,	3	183	00
						"	1	" Field No. 7,	6	30	00
						"	1	" Gard. & Orchard	4	530	00
						"	1	" Cows,	5	60	60
						"	1	" Sheep,	5	28	00
				1613	70					1613	70

*BALANCE.

1907						1907					
Apl.	1	To Real Estate,	1	3750	00	Apl.	1	By Capital,	1	7185	50
"	1	" Furniture,	1	520	00						
"	1	" Plant,	1	801	00						
"	1	" Live Stock,	1	215	00						
"	1	" Cash,	2	1503	70						
"	1	" Farm Produce,	2	395	80						
				7185	50					7185	50

* Refer to page 51 and read the two explanatory paragraphs.

April 1st, 1907.

TRIAL BALANCE.

Dr.

Cr.

Folio					
1	Capital.....			\$6230	00
1	Real Estate.....	\$3750	00		
1	Furniture.....	520	00		
1	Plant.....	801	00		
1	Live Stock.....	215	00		
2	Cash.....	1503	70		
2	Farm Produce.....	395	80		
3	Field No. 6.....			183	00
3	Fields Nos. 1 and 2.....			343	00
3	Field No. 3.....			264	40
3	Field No. 4.....			61	70
3	Field No. 5.....			113	00
4	Garden and Orchard.....			530	00
5	Cows.....			60	60
5	House Expenses.....	359	20		
5	Sheep.....			28	00
5	Horse Keep.....	210	00		
6	Field No. 7.....			30	00
6	Loss and Gain.....	89	00		
		\$7843	70	\$7843	70

April 1st, 1907.

LOSS AND GAIN STATEMENT.

Folio		Losses.		Gains.	
3	Fields Nos. 1 and 2, 16 acres sown in Barley.....			\$ 343	00
3	Field No. 3, 8 acres sown in Wheat.....			264	40
3	Field No. 4, 4 acres sown in Oats.....			61	70
3	Field No. 5, 4 acres sown in Corn and Potatoes.....			113	00
3	Field No. 6, 8 acres Grass.....			183	00
6	Field No. 7, 6 acres Pasture.....			30	00
4	Garden and Orchard 4 acres.....			530	00
5	Cows, 5,.....			60	60
5	Sheep, 10,.....			28	00
5	House Expenses.....	\$ 359	20		
5	Horse Keep.....	210	00		
1	Plant 10 per cent. written off for wear and tear.....	89	00		
	Net Gain.....	955	50		
		\$1613	70	\$1613	70

April 1st, 1907.

ASSET AND LIABILITY STATEMENT.

Folio		Assets		Liabilities.	
1	Real Estate, 50 acres, including buildings.....	\$3750	00		
1	Furniture, Contained in house.....	520	00		
1	Plant, As per list of a year ago, less 10 per cent. written off for wear and tear,	801	00		
1	Live Stock, As per list of a year ago.....	215	00		
2	Cash, In Bank, \$1490 ; in hand, \$13.70.....	1503	70		
2	Farm Produce, Various crops unsold and unused now in barn, <i>John Roblin's Capital one year ago</i>	395	80		
1	<i>Gain as per Statement</i>			\$7185	50
	<i>Worth 1st April, 1907</i>				
		\$7185	50	\$7185	50

BOOKKEEPING FOR CHURCHES OR OTHER PUBLIC INSTITUTIONS.

If the accounts of public institutions were kept by an efficient method and audited by competent men, a vast amount of trouble and scandal would often be saved. Many a good man has undertaken to be honorary treasurer and to keep the books of a church without any knowledge whatever of even the simplest bookkeeping methods, or without knowing on what side of the Cash account he should place the entries for receipts of money; the result being a "muddle" of the church's affairs, perplexity and trouble for the man, and a cry of dishonesty on the part of the other people interested. We here suggest a system by which the accounts of such institutions may be kept, that will require on the part of the individual whose business it will be to keep the books, a knowledge of only the first principles of the double entry method.

We will suppose that an individual is appointed treasurer for a public organized society, say a church, as being an institution universal in this country. He takes office, and finds the accounts in an unsatisfactory state; kept by a bad method, or by no method at all. He concludes that it is best to open a new set of accounts and keep them on the double entry system.

He should do first what the skilled accountant will always do where he is called upon to bring order out of confusion, or change single entry books to double entry—ascertain the resources and liabilities wherever they can be found, make out a statement of them, and by subtracting the one from the other he will determine whether the institution possesses capital or is insolvent.

BOOKS TO BE USED.

The books will be the Cash-Book, Journal, Pew Rent Receipt Book with stubs, and Ledger, and if there be a large number of pew holders it will probably be desirable to keep a

SUBSIDIARY LEDGER,

in which to keep the individual pew holders' accounts, and keep one account in the General Ledger called "Pew Holders," the debit balance of which would always be the same as the debit balances of the individual accounts in the Subsidiary Ledger. Pew rents would be journalized say every six months as follows:

Pew Holders,

To Pew Rents,

Following which the names, numbers of pews, and amount of rent due by each individual for the past half-year would be given; the sum total being posted to the debit of the account in the General Ledger called "Pew Holders," and the respective amounts to the debit of each pew holder's account in the Subsidiary Ledger, and "Pew Rent" account would receive credit.

In the Cash-Book special columns should be ruled on each side; that on the debit side for "Pew Holders." When posting, credit "Pew Holders" account in the General Ledger with the monthly total, and post to the credit of the respective pew holders' account in the Subsidiary Ledger the amounts paid by them. Another special column on the debit side might be kept for collections. On the credit side the special columns would be devoted to those accounts for which disbursements are most frequently made. See Cash-Book, page 209.

SHORT ILLUSTRATION OF THE METHOD.

JOURNAL.

To open the books, journalize the Resources and Liabilities from the statement. The account to represent capital or insolvency (similar to capital in a merchant's ledger) will be Church Account.

Folio	Pew Holders' Ledger.	Folio	General Ledger.	RESOURCES.				
				Sundries to Church account.....			\$19708	50
				Real Estate.....	\$15000	00		
				Organ.....	3000	00		
				Cash.....	120	00		
				Furniture.....	1500	00		
				Pew Holders, due at this date as below :	88	50		
1				John Robinson, Pew No. 9, 6 mos. \$ 6 00				
1				S. Johnson, " " 28, 1 yr. 15 00				
1				J. T. Reeves, " " 115, 6 mos. 8 00				
1				R. H. Garrat, " " 89, 1 yr. 10 00				
1				N. Yeomans, " " 58, 6 mos. 7 00				
2				R. Flint, " " 79, 1 yr. 15 00				
2				S. Donnelly, " " 61, 6 mos. 7 50				
2				J. H. Ritchie, " " 71, 18 mos. 20 00				
				—————\$38 50				
				LIABILITIES.				
1				Church account to Sundries.....	3447	10		
2				Mortgage Payable.....			3000	00
2				J. Neil & Co.....			159	50
3				Geo. Wallace.....			58	70
3				James Lobb.....			78	90
3				Rev. H. Lord.....			150	00
				NOTE.—When the above Resource and Liability entries have been posted to the Ledger, the difference between the two sides of the Church account will show the capital, and to the debit of their respective accounts you will have placed the Resources, and to the credit of their respective accounts the Liabilities.				
				There will be very few entries required in the Journal, as Cash is almost the only element in the transactions. The crediting of salaries and the debiting of pew rents every six months will be about the only ones, except at the end of the financial year. We will, therefore, to illustrate, suppose that six months have elapsed since the opening Journal entries were made.				
2				Pew Holders, Dr.....	70	50		
3				To Pew Rent.....			70	50
				For 6 months' rent as below :				
				John Robinson, Pew No. 9, \$6 00				
1				S. Johnson, " " 28, 7 50				
1				J. T. Reeves, " " 115, 8 00				
1				R. H. Garrat, " " 89, 5 00				
1				N. Yeomans, " " 58, 7 00				
2				R. Flint, " " 79, 7 50				
2				S. Donnelly, " " 61, 7 50				
2				J. H. Ritchie, " " 71, 6 50				
2				Jno. Gillis, " " 9, 7 50				
2				W. Buntin, " " 15, 8 00				
				—————\$70 50				
				NOTE.—Post to debit of Pew Holders' account in General Ledger the sum total, and to the debit of the individual pew holders in Subsidiary Ledger their respective amounts, and to the credit of Pew Rents' account the sum total.				
2				Salaries acct. Dr. to Sundries for 6 months' salary.....	575	00		
4				Rev. H. Lord.....			400	00
4				Miss Bowman.....			75	00
4				John Harris.....			100	00
				NOTE.—Make Salary account debtor for the total of the salaries for the 6 months and give each individual credit for his and her own amount.				
				At this point also make entries for any debts contracted since the last closing of the books that have not already been placed to the credit of the parties.				

Dr.

CASH.

CASH.

Cr.

Date.	Pol. Gen. Led.	Pol. Sub. Led.		Collec- tions.	Pew Holders.	Sundries.	Date.	L. F.		Ex- pense.	Sundries.
			*To Balance on hand..... \$120								
			" Collections, Sundays in January..	\$ 157 20				4	By Expense, receipt No. 1	\$ 2 50	
1			" J. Robinson, Pew rent in full, stub 1		12 00			4	" John Harris, on account of salary		10 00
2			" J. H. Ritchie, " " 2		26 50			3	" Rev. H. Lord, " " "		150 00
			" Collections, Sundays in February.	161 90				4	" Expense, receipt No. 2	3 90	
2			" S. Donnelly, Pew rent in full, stub 3		15 00			4	" Fuel acct., " " 3		40 00
1			" N. Yeomans " " 4		14 00			4	" Lighting acct., Gas Bill, No. 4		76 20
2			" R. Flint, Pew rent in part,		12 00			4	" Expense, receipt " 5	6 35	
			" Collections, Anniversary and M. Ch.	250 00				3	" Miss Bowman, on acct. of salary ..		50 00
1			" J. T. Reeves, Pew rent in full, stub 5		16 00			4	" Rev. H. Lord, " " " "		35 00
			" Collections, Sundays in April.	190 00				4	" John Harris, " " " "		80 00
1			" S. Johnson, Pew rent in full, stub 6		22 50			4	" Interest, six months interest on mortgage, receipt No. 6.		180 00
			" Collections, Sundays in May.	189 20				3	Expense to Cash.....	\$ 12 75	12 75
			" Collections, Sundays in June.	174 80				1	Cash by Sundries.....		633 95
3			Total credit to Collections acct.	\$1124 30		\$1124 30			Balance on hand.		728 35
2			" " Pew Holders' acct.			118 00					
1			" To debit of Cash.....		\$ 118 00						
			*Balance on hand at opening books...			1242 30					
			The Stubs referred to above are the stubs of the book from which receipts for Pew rents are given, and it would be from these that the auditors would check that part of the income.			120 00					
						\$1362 30					\$ 1362 30

It will be well to have receipts for all payments made, and to number them to correspond with the entries as in examples above; this will simplify the work of auditing.

GENERAL LEDGER.

CHURCH ACCOUNT.

Dr.

(Capital).

$$Cr.$$

Date		J. F.		Date		J. F.	
	To Sundries,	3447	10	By Sundries,		19708	50
	“ Balance,	16572	25	“ Working acct.,		310	85
		20019	35			20019	35
				By Balance,		16572	25

REAL ESTATE.

To Church acct.	15000	00							
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ORGAN.

[illegible]

CASH.

To Church acct.,	120	00	By Sundries,	633	95
“ Sundries,	1242	30	“ Balance,	728	35
	1362	30		1362	30
To Balance,	728	35			

FURNITURE.

To Church acct.,	1500	00						
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PEW HOLDERS.

To Church acct.,	88	50	By Cash,	118	00
“ Pew Rents,	70	50	“ Balance,	41	00
	159	00		159	00
* To Balance,	41	00			

MORTGAGE PAYABLE,

[illegible]

J. NEIL & CO.

[illegible]

SALARIES.

To Sundries,	575	00	By Working acct.,	575	00
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GEO. WALLACE.

						By Church acct.,		58	70
--	--	--	--	--	--	------------------	--	----	----

* This balance is the total indebtedness of Pew Holders at the yearly closing of the books, and agrees with the total debit balances in the Subsidiary Ledger.

Dr.

JAS. LOBB.

Cr.

Date		J.F.		Date		J.F.	
					By Church acct.,	78	90

REV. H. LORD.

To Cash,	150	00	By Church acct.,	150	00
" " "	35	00	" Salaries,	400	00
" Balance,	365	00			
	550	00		550	00
			By Balance,	365	00

COLLECTIONS.

To Working acct.,	1124	30	By Cash,	1124	30
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EXPENSE.

To Cash,	12	75	By Working acct.,	12	75
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PEW RENTS.

To Working acct.,	70	50	By Pew Holders,	70	50
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FUEL.

To Cash,	40	00	By Working acct.,	40	00
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LIGHTING.

To Cash,	76	20	By Working acct.,	76	20
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MISS BOWMAN (Organist.)

To Cash,	50	00	By Salaries acct.,	75	00
" Balance,	25	00			
	75	00		75	00
			By Balance,	25	00

JOHN HARRIS (Sexton).

To Cash,	10	00	By Salaries acct.,	100	00
" " "	80	00			
" Balance,	10	00			
	100	00		100	00
			By Balance,	10	00

INTEREST.

To Cash,	180	00	By Working acct.,	180	00
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Dr. WORKING (OR REVENUE) ACCOUNT*Cr.*

Date		L. F.		Date		L. F.	
	To Salaries,	210	575 00		By Collections,	211	1124 30
	“ Expense,	211	12 75		“ Pew Rents,	211	70 50
	“ Fuel,	211	40 00				
	“ Lighting,	211	76 20				
	“ Interest,	212	180 00				
	“ *Church acct.,	210	310 85				
			1194 80				1194 80

SUBSIDIARY LEDGER.

For Pew Holders' Personal Accounts.

JOHN ROBINSON (Pew No. 9).

Date		J. F.		Date		C. B. F.	
	To six mos.' Rent,		6 00		By Cash,		12 00
	“ “ “ “		6 00				
			12 00				12 00

S. JOHNSON (Pew No. 28)

	To 1 year's Rent,		15 00		By Cash,		22 50
	“ 6 mos'. Rent,		7 50				
			22 50				22 50

J. T. REEVES (Pew No. 115.)

	To six mos.' Rent,		8 00		By Cash,		16 00
	“ “ “ “		8 00				
			16 00				16 00

R. H. GARRAT (Pew No. 89).

	To 1 year's Rent,		10 00		By Balance,		15 00
	“ 6 months' “		5 00				
			15 00				15 00
	To Balance,		15 00				

N. YEOMANS (Pew No. 58.)

	To 6 months' Rent,		7 00		By Cash,		14 00
	“ 6 “ “		7 00				
			14 00				14 00

*This balance, which goes to the credit of Church account, is the difference between the income and expenditure of the year, or, if we may so speak in connection with a church, the year's gain. The Working (or Revenue) account is the same as Loss and Gain account in a business.

Dr.

R. FLINT (Pew No. 79).

Cr.

Date		J. F.		Date		C. B. F.	
	To 1 year's rent,	15	50		By Cash,	12	00
	" 6 months' "	7	00		" Balance,	10	50
		22	50			22	50
	To Balance,	10	50				

S. DONNELLY (Pew No. 61).

	To 6 months' Rent,	7	50		By Cash,	15	00
	" 6 " "	7	50			15	00
		15	00				

J. H. RITCHIE (Pew No. 17).

	To 18 months' Rent,	20	00		By Cash,	26	50
	" 6 " "	6	50			26	50
		26	50				

J. MCGILLIS (Pew No. 9).

	To 6 months' Rent,	7	50				
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W. BUNTIN (Pew No. 15).

	To 6 months' Rent,	8	00				
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TRIAL BALANCE.

L. F.	ACCOUNTS.	Dr. Balances.		Cr. Balances.	
1	Church.....			\$16261	40
1	Real Estate.....	\$15000	00		
1	Organ.....	3000	00		
1	Cash.....	728	35		
2	Furniture.....	1500	00		
2	Pew Holders.....	41	00		
2	Mortgage Payable.....			3000	00
2	J. Neill & Co.....			159	50
2	Salaries.....	575	00		
3	Geo. Wallace.....			58	70
3	Jas. Lobb.....			78	90
3	Rev. H. Lord.....			365	00
3	Collections.....			1124	30
3	Expense.....	12	75		
3	Pew Rents.....			70	50
4	Fuel.....	40	00		
4	Lighting.....	76	20		
4	Miss Bowman.....			25	00
4	John Harris.....			10	00
4	Interest.....	180	00		
		\$21153	30	\$21153	30

REVENUE STATEMENT.

(Similar to Loss and Gain Statement of a Business).

L. F.	Dr.		L. F.	Cr.	
2	To Salaries,	\$ 575 00	3	By Collections,	\$ 1124 30
3	“ Expense,	12 75	3	“ Pew Rents,	70 50
4	“ Fuel,	40 00			
4	“ Lighting,	76 20			
4	“ Interest,	180 00			
	Balance, showing a gain as the result of the half year's operations,	310 85			
*		\$ 1194 80			\$ 1194 80

BALANCE SHEET.

(Or Statement of Assets and Liabilities).

L. F.	ASSETS.		L. F.	LIABILITIES.	
1	Real Estate,	\$15000 00	2	Mortgage Payable,	\$ 3000 00
1	Organ,	3000 00	2	J. Neill & Co.,	159 50
1	Cash,	728 35	2	Geo. Wallace,	58 70
2	Furniture,	1500 00	3	Jas. Lobb,	78 90
2	Pew Holders,	41 00	3	Rev. H. Lord,	365 00
			4	Miss Bowman,	25 00
			4	John Harris,	10 00
				Net capital or surplus at date, being the worth when the books were opened, as shown in Church account, \$16261.40	16572 25
				and the gain as shown in working acct. and statement, 310.85	
†		\$20269 35		\$16572.25	\$20269 35

*The above Revenue Statement corresponds with the Working (or Loss and Gain, or Revenue) account in the Ledger. See page 212.

†The above Balance Sheet corresponds with the balances of Assets and Liabilities brought down in their respective accounts in the Ledger (which compare). The surplus of Assets over Liabilities, \$16572.25, is the present capital invested, or, in commercial language, what the business owes to its proprietors, and corresponds with the amount at the credit of the Capital account, which in this Set is called "Church Account."

NOTE.—Read the paragraphs on pages 94 and 95 describing the Balance Sheet.

WAREHOUSING.

The following SET OF WAREHOUSE BOOKS illustrates the method of keeping a record of, and dealing with Grain or Goods stored in a PUBLIC WAREHOUSE.

WAREHOUSE RECEIPT

The expression "Warehouse Receipt" means any receipt given by any person for any goods, wares or merchandise, in his actual, visible and continued possession, as bailee (agent) thereof, in good faith and not as of his own property, and includes receipts given by any person who is the

owner or keeper of a harbor, cove, pond, wharf, yard, warehouse, shed, storehouse or other place for the storage of goods, wares or merchandise, for goods, wares and merchandise delivered to him as bailee, and actually in the place, or in one or more of the places owned or kept by him, whether such person is engaged in other business or not.

STUB.		WAREHOUSE RECEIPT.
No. 127.		No. 127.
<i>Belleville, Sept. 29, 1908.</i>		The undersigned acknowledges to have received
RECEIVED from SILAS ALLAN.		from Silas Allan, of the township of Sidney, and to
1350 bush. No. 2 Barley.		have now stored in his warehouse in Belleville, Ontario,
Entered		thirteen hundred and fifty bushels of No. 2 Barley, to
Warehouse Ledger,		be delivered pursuant to the order of the said Silas
Folio 1,		Allan, to be endorsed hereon, and to be kept in store
Folio 2.		till delivered pursuant to such order.
		This is intended as a Warehouse Receipt within the meaning of the
		Statute of Canada, intituled "An Act respecting Banks and Banking,"
		and any amendments thereto, and within the meaning of all other Acts
		and laws under which a Bank in Canada may acquire a Warehouse
		Receipt as security.
		Dated at Belleville the 29th day of Sept., 1908. /
		R. W. CAMERON, Warehouseman.

The above is a form of receipt granted for grain, flour, or other commodity stored in a warehouse. It is called a WAREHOUSE RECEIPT, and serves a very useful purpose in business transactions. It is made subject to the order of the individual, and is thereby negotiable by his indorsement. The goods represented by it may be sold and transferred without the buyer personally seeing them. The bargain being concluded, the holder simply indorses the receipt and hands it to the purchaser, who now becomes the owner of what is stored.

Loans are made by Banks upon Warehouse Receipts as collateral security, and in other ways it is a valuable and convenient business paper. Any one who wilfully makes a false statement in a Warehouse Receipt, or who, having control or possession of goods covered by any Warehouse Receipt, alienates them, or withholds them after demand by the legal owner, is liable to imprisonment for a term not exceeding two years.

The blank forms should be printed and bound in books containing about 250, and should be consecutively numbered.

STUB.		DELIVERY ORDER.
No. 250.		No. 250.
<i>Belleville, Oct. 18th, 1908.</i>		<i>Belleville, Oct. 18th, 1908.</i>
DELIVERED 1350 bush. No. 2		WAREHOUSE RECEIPT No. 127, having been properly
Barley on Warehouse Receipt		indorsed and delivered up, you are authorised to
No. 127.		DELIVER to the bearer thirteen hundred and fifty bushels
STORED originally by SILAS		No. 2 Barley, stored originally by SILAS ALLAN.
ALLAN,		R. W. CAMERON,
Entered		per J. R.
Warehouse Ledger,		
Folio 1.		
Folio 2.		

The above is a DELIVERY ORDER that should be written in the Warehouseman's office, and sent with the teamster or vessel to the Warehouse when delivery of the stuff is required, and when the Warehouse Receipt is given up, after being properly indorsed.

The blank forms should be printed and bound in books containing about 250, and should be consecutively numbered.

WAREHOUSE LEDGER.

The Warehouse Ledger is kept with quantities only. It is to show the quantity of the various kinds of grain or other stuff stored and the owners of it. It is kept on the double entry principle, and is exceedingly simple. *It is posted each evening from the Stubs of the Warehouse Receipt and Delivery Order Books.*

EXAMPLES.

Suppose you have received into store, for which you have granted Warehouse Receipts as shown in 6 different stubs, as on the form on page 215.

1350 bush.	No. 2	Barley from	Silas Allan,
2000 "	No. 1	" "	R. McNaughton,
500 bbls.	Flour	"	Jas. Norris,
1375 bush.	Peas	"	A. M. Gunn,
780 "	"	"	T. H. Smallman,
1875 "	"	"	John Walker,

and have made the following deliveries for which orders were given, and which are shown in 7 different stubs in your Order Delivery Book, as on page 215.

1000 bush.	No. 2	Barley,	Silas Allan,
500 "	Peas,	John Walker,	
500 bbls.	Flour,	James Norris,	
370 bush.	Peas,	John Walker,	
150 "	No. 2	Barley,	Silas Allan,
257 "	Peas,	A. M. Gunn,	
1000 "	No. 1	Barley,	R. McNaughton,

you would post to the respective accounts as follows: For stuff received debit the account representing the stuff received, and credit the individual from whom received. For stuff delivered debit the individual from whom originally received and to whom Warehouse Receipt was granted, and credit the account representing the stuff delivered. You will keep this book posted each day, and thereby show *at all times* the commodities and the respective quantities stored and the owners of them.

A trial balance taken from time to time will prove the correctness or otherwise of the Warehouse Ledger.

From this Ledger you will also be able to make out accounts for storage.

No. 2 BARLEY.

		W.R.					D. O.	
		No.	Bushels				No.	Bushels
1908				1908				
Sept 29	To Silas Allan,	127	1350	Oct. 18	By Silas Allan,		250	1000
				" 29	" "		254	150

No. 1 BARLEY.

		W.R.					D. O.	
		No.	Bushels				No.	Bushels
Sept 29	To R. McNaughton	128	2000	Nov 5	By R. McNaughton,		256	1000

FLOUR.

		W.R.					D. O.	
		No.	Bbls.				No.	Bbls.
Sept 30	To Jas. Norris,	129	500	Oct. 20	By Jas. Norris,		252	500

Dr.

PEAS.

Cr.

		W. R.				D. O.	
1908		No.	Bushels	1908		No.	Bushels
Sept.	30 To A. M. Gunn,	130	1375	Oct.	19 By John Walker,	251	500
Oct.	1 " T. H. Smallman	131	780	"	29 " John Walker,	253	370
"	3 " John Walker,	132	1875	Nov.	1 " A. M. Gunn,	255	257

SILAS ALLEN.

		D. O.				W. R.	
		No.	Bushels			No.	Bushels
Oct.	18 To. No. 2 Barley,	250	1000	Sept.	29 By No. 2 Barley,	127	1350
"	29 " No. 2 Barley,	254	150				

R. McNAUGHTON.

		D. O.				W. R.	
		No.	Bushels			No.	Bushels
Nov.	5 To No. 1 Barley,	256	1000	Sept.	30 By No. 1 Barley,	128	2000

JAS. NORRIS.

		D. O.				W. R.	
		No.	Bbls.			No.	Bbls.
Nov.	20 To Flour,	252	500	Sept.	30 By Flour,	129	500

A. M. GUNN.

		D. O.				W. R.	
		No.	Bushels			No.	Bushels
Nov.	1 To Peas,	253	257	Sept.	30 By Peas,	130	1375

T. H. SMALLMAN.

						W. R.	
						No.	Bushels
				Oct.	1 By Peas,	131	780

JOHN WALKER.

		D. O.				W. R.	
		No.	Bushels			No.	Bushels
Oct.	19 To Peas,	251	500	Oct.	3 By Peas,	132	1875
"	29 " Peas,	253	370				

REMARKS ON THE LEDGER.

The *Debit Balances* of the Barley, Flour and Peas accounts will show the quantity of each in store, and the *Credit Balances* of the individual accounts will show the owners. A trial balance should be taken from time to time to prove if the Ledger is being correctly posted, and an abstract statement, showing what is in store and the owners of it, may be taken at any time in a few minutes.

JOINT STOCK COMPANIES.

DEFINITION, CONTRAST WITH ORDINARY TRADING PARTNERSHIPS, AND THEIR ADVANTAGES AND DISADVANTAGES.

A Joint Stock Company is an association of individuals, who have united and have obtained incorporation for the purpose of carrying out an undertaking which would require a larger amount of capital than any single person would, ordinarily, be able or willing to risk. Each member subscribes and pays in money or property or services for shares in the capital stock. The object may be to mine, manufacture, trade, print, carry on a banking, loan or insurance business, or, in general, to do what an individual may do.

In conducting modern trade the tendency is in the direction of the joint stock principle. Not only are new enterprises now launched in the form of Joint Stock Companies, but old established concerns are being changed from single proprietorships, or from partnerships, into Joint Stock Companies.

The most prominent feature of a Joint Stock Company, in comparison with a general or ordinary partnership, is the limited liability of the shareholders. In a general partnership, each partner is personally liable to the full extent of his means for the whole of the partnership debts; whereas in a Joint Stock Company the liability of a shareholder ceases entirely when he has paid in full the amount of stock for which he subscribed. The limited liability principle induces people to invest in enterprise outside of their own occupation, thereby stimulating and increasing the trade of a locality or a country.

Mention, necessarily brief, of the various forms of partnership, will be appropriate just here, in order that, in contrast with them, the nature of Joint Stock Companies may be more clearly understood. Partnership is the union of two or more individuals acting under a contract, whereby they mutually contribute their property or labor for the purpose of making profits jointly. The definition of a legal partnership may be given in the language of the civil code of New York, as "The association of two or more persons for the purpose of carrying on business together and dividing its profits between them." The usual criterion by which a partnership is ascertained to exist is an agreement to share profits. Mere joint ownership in property does not constitute in law a partnership, nor does the receiving of a commission or remuneration proportioned to profits by managers, clerks or servants make them partners.

This is the common and ordinary form of partnership.

General Partnership.

In connection with it each individual partner is liable for all the debts and obligations incurred by the partnership to the full extent of his means, to the last dollar, whether found in or out of the business of the partnership. No agreement made between such

partners to limit the liability of any general partner, so far as creditors are concerned, would have any effect. Each partner is the agent of the others, and, in the ordinary course of the firm's business, can pledge the firm's credit and enter into contracts without limit, however imprudent and foolish may be his acts. The partners are practically at the mercy of each other. Entering into a general partnership is, next to marriage, probably the most serious step in life.

While the obligations of the partners of a firm to others are as stated, the rights and obligations existing between themselves are entirely a matter of contract. The partners may make any kind of arrangement between themselves that they choose. The law does not require that a general partnership agreement shall be in writing; it may be made by word of mouth, but it would be folly to have it so. Unless provision is made in the partnership agreement for a definite period, the partnership is one at will, which any partner may dissolve at pleasure, subject, of course, to the jurisdiction of the Court to prevent bad faith. Dissolution, whether by effluxion of time, mutual agreement or otherwise, by which a partner retires and the remaining partners continue the business, and by agreement assume its liabilities, does not release the retiring partner from the obligations of the firm, incurred while he was a partner. He can be relieved of the obligations contracted by the new firm (even though his name should be continued) if he causes due and legal notices of the dissolution to be published. Such notices should be inserted in the *Gazette*, also in the local papers, and a circular notice should be sent to creditors and customers. Dissolution may take place by effluxion of time, and also by mutual consent. Death dissolves a partnership, so does the bankruptcy of a partner, and lunacy and misconduct are grounds sufficient for an application to the court for dissolution. No new partner can be introduced without the consent of the rest. A partnership must be registered (in Ontario) at the registry office of the county, or city, within six months from the date of its formation.

<p>A Special or Limited Partner</p>	<p>is one who joins a general partnership for the purpose of investing <i>money</i>. His position is defined by statute, and if he strictly adheres to its requirements his liability is limited to the sum of his investment. His contribu-</p>
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tion to the capital must be cash only; his name must not appear, and he must not in any way aid in carrying on the business, or interfere in its management. If he does, he will cease to be a special partner and become liable as a general partner. When forming a special partnership a certificate in the form prescribed by the Act, authenticated by a notary, must be filed in the office of the Clerk of the County Court in the county in which the business is carried on. This certificate must show the firm's name, the nature of the business, the names of the general and special partners respectively, the amount of capital which each special partner has invested, the period at which the partnership is to commence and the time at which it will terminate.

A Dormant or Silent Partner is one whose name does not generally appear to the world as a partner, but who, nevertheless, is to all intents and purposes a partner with unlimited liability like the rest.

A Nominal Partner is one who, while not really a partner as between the partners, has rendered himself liable by allowing it to be understood by his own acts or statements that he is a partner, or by failure to contradict the known statements of others implying that he is such a partner.

A Secret Partner is one who by agreement is to participate in the profits, but who is not known by the public to be a partner. If the relationship can be proved he may be held for the firm's debts like the other partners.

THE ADVANTAGES OF JOINT STOCK COMPANIES.

The advantages afforded by the limited liability joint stock principle in carrying on a business are numerous and important. To the individual shareholder the most important is the "limited liability." In a partnership a man risks his all, whereas as a shareholder in a limited company his liability ends when he has paid for his stock. In a partnership a man is at the mercy of his partners. Each partner is the unlimited agent of the others, and, in the ordinary course of the firm's business, can involve it to any extent, and each one is personally liable to the full extent of his means for all its liabilities and obligations. In a limited company the directors (those members to whom its management is intrusted) cannot bind their fellow stockholders personally. Those to whom the company incurs liabilities know (or should know) that the assets of the company alone are available to pay its debts. Creditors of a limited company have no recourse to the individual members. In order that the public may readily distinguish limited liability companies from ordinary partnerships, they are required by law, under a penalty, to attach the word "limited" to their names wherever they appear. For example, John Brown & Company (Limited); The Jones Manufacturing Company, (Limited); The Times Printing Company (Limited).

The vast development in the commerce of the world during the past and present century has been rendered possible by joint stock companies bringing together the surplus capital of the people into great enterprises. Knowing definitely the extent of their liability, people are willing to take the defined risk and invest their money to create and carry on enterprises that are of infinite service to the locality in which they are situated, and of advantage to the world at large. No private individual or partnership would have undertaken to create the Bank of Montreal or build the Canadian Pacific Railway. Continuity, an element so essential to immense undertakings, can only be secured by the creation of corporations or companies which have an existence

apart from the individuals who compose them. These great companies are destined not only to serve the present but the generations to come, and they can develop and train, or secure, talent that will be as devoted and loyal to their services as that which an individual could exhibit in managing his own business.

For great undertakings the joint stock principle is the only one possible, and, even if this were not so, it would still be the best.

Another advantage afforded by the existence of the great Joint Stock Companies is the opportunity they provide for people to profitably employ their savings, or the surplus capital not required in their own business or occupation; for instance, a man may be a farmer, a doctor, a mechanic or a teacher, and devote his whole time to his occupation, and while doing this he may, by the investment of his savings in the shares of various companies, engage in the business of trading, banking, transportation, underwriting, manufacturing, etc., without giving either time or thought to the business, and without risk beyond the sum of the shares for which he has subscribed; and if he wishes to retire from any of them he can do so by disposing of his shares when and to whom he wishes. Being a corporation, a Joint Stock Company has a legal existence, is an entity, apart from its members; consequently the transfer of shares from one person to another, or the death or bankruptcy of a member, in no way affects the company's perpetuity.

Everybody in a community is interested in some way in Joint Stock Companies. They run our railways, and most of our steamboats, provide us with banking facilities and currency, enable us to insure our lives, our property or our character; they develop our mines and carry on most of the great manufacturing industries of the country.

*INCORPORATING A COMPANY UNDER THE DOMINION ACT.

The incorporation of Joint Stock Companies may, under Dominion legislation, be effected in two ways, either by obtaining a special Act of Parliament, or by letters patent under the General Joint Stock Companies Act. Banking, Insurance, Loan, Telephone, Telegraph and Railway Companies *must* be incorporated by special Act, as their requirements are such, and the powers which they seek are so extensive, that special legislation determining their limit and scope is absolutely necessary. For all ordinary undertakings, incorporation under the General Act is amply sufficient. The General Dominion Act now in force is "The Companies Act, 1902," 2 Edward VII., to be found at chap. 15.

PROSPECTUS.—A number of individuals having agreed to form a Joint Stock Company under the Dominion Joint Stock Companies Act, issue a Prospectus, setting forth the proposed name of the Company (which must not be the same or similar to that of any other incorporated or unincorporated company), the number of shares, the amount of each, and the capital, the

*The General Ontario Act under which Joint Stock Companies may obtain incorporation by Letters Patent is cited as "*The Ontario Companies Act*," and the *Extra Provincial Corporations Act, 1907*.

names of the provisional directors, the bank at which it is proposed to keep their account, and generally stating the business to be carried on and the probable profits to be derived from it.

Stock Book.—A memorandum of agreement and Stock Book is prepared, in which each of the subscribers for shares writes the number he is willing to take, and affixes his signature, seal and residence in presence of a witness. This is a binding and solemn contract to pay the calls upon the stock as they shall severally become due.

The company shall not commence its operations or incur any liability before ten per centum of its authorized capital has been subscribed and paid for.

The Secretary of State of Canada may, by letters patent under his seal of office, grant a charter to any number of persons, not less than five, who apply therefor. The application is made on form A given in the first schedule of the Act, and must be accompanied by a memorandum of agreement, in duplicate under seal, on form B of the same schedule. The fees are regulated by the Governor-in-Council, and are varied according to the nature of the company and the amount of the capital. Notice of the granting of the letters patent are given forthwith by the Secretary of State by two insertions in the *Canada Gazette*, in the form C in the first schedule to the Act, and thereupon, from the date of the letters patent, the persons named therein and those who subscribed to the memorandum of agreement or who thereafter become shareholders in the company, become a body corporate and politic by the name mentioned in the letters patent. The company must insert a copy of the notice of incorporation on four separate occasions in at least one newspaper in the county, city or place where the head office is established. (*For a practical example of the creation of a Joint Stock Company, see page 159 to 162*).

A change of name may be obtained subsequently, if it is not sought for an improper purpose.

INCREASE OF STOCK.—The directors of a company may at any time, after ninety per cent. of the capital stock has been taken up, and fifty per cent. paid thereon, make a by-law for increasing the capital stock, and they may also in the same way decrease the capital stock; but their action in this regard must be sanctioned by a vote of not less than two-thirds in value of all the shareholders of the company, at a general meeting called for considering the same, and confirmed by supplementary letters patent.

DIRECTORS.—The affairs of the company are managed by a board of directors, which may consist of not less than three or more than fifteen. They are elected annually at the annual general meeting, and they must be shareholders in their own right to the amount required by the company's by-law, and not in arrears in respect of any call upon stock. Each shareholder is

entitled to give one vote for each share held by him; such votes may be given in person or by proxy—the holder of any such proxy being himself a shareholder.

OFFICERS.—The president and permanent officers of the company are elected by the directors; but the auditors should be appointed at the annual meeting of the shareholders, for the reason that the officers of the company are largely controlled by the directors, and the audit being, as far as this connection goes, an examination of the faithfulness to the shareholders of both the officers and directors, it is necessary that the stockholders themselves should appoint the auditors.

SECRETARY-TREASURER.—The secretary-treasurer, who is frequently the responsible bookkeeper, should be a skilled accountant.

CALLS ON STOCK.—For the first and each subsequent call upon stock an instalment list will be made out, and the payments will be acknowledged by issuing to each shareholder instalment scrip. When the last call has been paid the instalment scrip will be called in, and in place of it stock certificates will be issued.

BOOKKEEPING.—There are certain books that are required by law to be kept by all companies, and which shall be kept open for the inspection of shareholders and creditors of the company, and from which they may make extracts.

Paragraph 74 of the Act says: The company shall cause a book or books to be kept by the secretary, or by some other officer specially charged with that duty, wherein shall be kept recorded,—

(*a.*) A copy of the letters patent, incorporating the company, and of any supplementary letters patent, and of the preliminary memorandum of agreement and of all by-laws thereof;

(*b.*) The names, alphabetically arranged, of all persons who are or have been shareholders;

(*c.*) The address and calling of every such person, while such shareholder, as far as can be ascertained;

(*d.*) The number of shares of stock held by each shareholder;

(*e.*) The amounts paid in and remaining unpaid, respectively, on the stock of each shareholder;

(*f.*) The names, addresses and calling of all persons who are or have been directors of the company, with the several dates at which each became or ceased to be such director.

2. A book called the register of transfers shall be provided, and in such book shall be entered the particulars of every transfer of shares in the capital of the company.

The penalty for neglecting to keep such books is the forfeiture of the Company's corporate rights. For the bookkeeping proper, all companies will at least have a Cash-Book, Journal, General Ledger and Stock Ledger; such auxiliary books will be used as the nature of the business may demand.

STOCK LEDGER.—The use of a Stock Ledger will be apparent, if you consider how troublesome and inconvenient it would be to keep an account in the General Ledger with the numerous individual stockholders of a company (who hold stock to-day and may part with it to-morrow), as is done with the individual partners of an ordinary partnership, whose interest is permanent. This book contains an account with each shareholder, in which are recorded his name and address, the number of shares of the capital stock of the Company held by each, and the instalments that have been paid upon them. A moment's reflection will make it apparent how easily transfers of stock are posted in this book, without affecting the General Ledger. For instance, there stands at the credit of A 10 paid-up shares, which he sells to-day to B. They go to the office of the company, where A signs a transfer on the company's transfer book, and delivers up his certificate, which is cancelled. A new certificate is issued to B, and from the stub of the transfer book A is made debtor to B in the Stock Ledger. Such transfers may be made through the medium of stock brokers, acting for both buyer and seller. No restrictions can be placed upon the transfer of fully paid-up stock, but the directors of a company must sanction the transfer of stock that is not fully paid up, in order to prevent holders from getting rid of the liability to pay, by transferring it to people who are not worth anything.

OPENING.—In opening the books of a company, there are two ways of dealing with the stock subscribed for: you may debit the original subscribers for stock in the General Ledger with the amount of their subscriptions, and place at the credit of the Capital Stock account the total of these, which is the nominal capital of the Company, until the stock has been fully paid up, when it becomes the real capital. It is a permanent credit on the ledger, only affected when the capital stock is either increased or diminished or watered. As calls upon stock are paid, credit the shareholders' accounts in the General Ledger from the Cash-Book, and at the same time credit their accounts in the Stock Ledger, which will be opened when the first call is paid. When stock has been fully paid up, the shareholders' accounts in the General Ledger will be closed, after which the Stock Ledger only will show their accounts. In the event of the General Ledger being closed before stock is fully paid up, close the accounts of shareholders "By Balance," as you would any other

personal accounts showing debts to the Company. In the balance sheet put the matter thus :

Capital Stock subscribed (say).....	\$50,000
“ “ unpaid, 60%.....	30,000
“ “ paid up.....	<u>\$20,000</u>

Capital Stock account in the General Ledger will agree with the first figures; the total debit balances against the shareholders in the General Ledger will agree with the second figures, and the total of the amounts credited to shareholders in the Stock Ledger will agree with the last.

Another way of dealing with the Capital Stock is to credit the account as instalments are paid, crediting the payments to the shareholders in the Stock Ledger at the same time, without opening accounts for the shareholders in the General Ledger at all. This is the simpler way; the argument for the first is that as the unpaid stock is a liability to the company, it should be shown in the General Ledger at the debit of the individuals.

PRICES OF SHARES.—Whether a company's shares are being sold at par, that is, the face value, at a premium or a discount, they are always at par in the company's books. The first issue of shares at the inception of a company will usually be at par. Subsequent issues may be offered at a premium, if the old stock is above par in the market. After the stock authorized by the charter has been taken by subscribers, a company's shares are no longer within its own control. It has none to sell, and their real value will be the investing public's estimation of them, based upon the efficiency of the company's management, the past earnings and an estimate of its powers in that direction in the future. If you desire to buy stock in a company whose shares have been all taken up, you must find some holder willing to sell, either by your own seeking or the employment of a stock broker. What you pay for the shares is a private bargain between yourself and the holder, with which the company cannot interfere. If the company whose shares you buy is a large and important concern, like a loan company or a bank, the stock will be quoted on the Stock Exchange, and you will be guided in your purchase by the latest quotations.

If shares are quoted at, say, 132, that means that they are at a premium of 32%; or, in other words, that each share of \$100 (or shares to the amount of \$100) is worth \$132. It is not on the amount paid for the shares that dividends are paid, but always upon the par value.

ANNUAL FINANCIAL STATEMENTS.—There are two items of information respecting a Joint Stock Company which should be furnished to the shareholders in printed form at the end of every business year before the annual meeting. They are:

(a) A Balance Sheet (See pages 94 and 95) showing the *present financial condition*, i. e., the assets and the liabilities, the liabilities column showing,

first, what is owing to the public, and, second, the capital owing to the shareholders (which is the difference between the sum of the assets and the sum of the liabilities to the public), under the various titles used in the ledger for that purpose.

(b) A statement showing the *financial result* of running the business for the past year, i.e., the amounts and sources of the profits and the amounts and sources of the expenses or cost of working. At pages 40 and 41 will be found a simple and easily understood statement of the method of doing this for any business, and at various parts of the book more complicated statements are furnished.

DIVIDENDS AND RESTS.—It seldom occurs that any properly managed company declares a dividend (division of profits) amounting to the full sum of its earnings. The proper course is to reserve a certain sum annually, to provide against possible future contingencies. Our chartered banks have a Rest account, to the credit of which a certain sum is carried annually from the Profit and Loss account, until it reaches a certain proportion of the Capital Stock; and it is customary also with them to leave a certain amount at the credit of Profit and Loss. The prosperity of the Bank of Montreal, selecting it as the most prominent example, is, in a large measure, due to following this wise course. Its "Rest" now amounts to over *eleven* millions of dollars; that is, out of its earnings it has set aside from year to year sums that now amount to this figure. The bank would have to lose in bad debts the sum of over ten millions before its capital would be impaired. Besides the provision which the possession of a "Rest" makes against unforeseen contingencies and bad debts, it serves the exceedingly useful purpose of enabling the company to pay as nearly as possible a uniform dividend from year to year. In any one year the profits of a company will not be precisely the same as those of a previous year, but the possession of a Rest will enable the directors to equalize the dividend, and preserve the stock of the company from the fluctuations in price to which a constantly changing rate of dividend would subject it.

DIVIDEND STOCK.—Dividend Stock will be most easily explained by giving an example: We will suppose that a certain gas company has been in existence a score of years in a prosperous community, enjoying the monopoly of supplying it with light. The price charged is high, and, in consequence, the company is making large profits; so large, indeed, that the directors fear that if the facts should become known, they will be confronted either with a demand for a reduction in the price, or the formation of a rival company. In order, therefore, to make it appear to the consumers that the profits are not excessive, they declare a reasonable dividend in cash, and place a certain amount to the credit of the "rest" account, of which the public are informed, and they also distribute a dividend in stock, of which the public are not informed.

When this has been done for a number of years, the capital stock will have greatly increased—we will say, for the purpose of illustration, to double the original money paid in. Now, while the annual profit upon the original

capital, if it were known to the public, would appear excessive, the profit upon both the original stock and dividend stock combined is reasonable, and the directors say: "Why, we are making only eight per cent. of profit on our capital, and can not afford to sell gas for less than we are now charging."

The entries in the books of so fortunate a company, for distributing the profits as indicated above, would be as follows:—

At the credit of Profit and Loss account there stands, say, the sum of \$16,000 as the net profit for the year upon a capital of \$100,000; this is sixteen per cent. A dividend of 7 per cent. in cash is to be paid, 2 per cent. is to be placed to the credit of rest account, and the balance is to be paid in stock.

Profit and Loss, Dr. \$16,000.

To Dividend.....	\$7,000
" Rest.....	2,000
" Capital Stock.....	7,000

When the dividend has been paid, and the entries have been made for it, Dividend account will close. In the stock ledger credit each shareholder with his proportion of the \$7,000 of dividend stock, and issue certificates. In doing this, of course, there will be fractions of shares to be credited in some cases.

The above mode of creating stock is simply equivalent to the existing shareholders subscribing for new stock and paying for it out of the earnings of the old stock. The only objection that can be urged against it is that it deceives the public regarding the company's profits, and by the manipulation the company maintains excessive prices for its wares. In the case of a company in which the public has no interest there can be no objection at all to the payment of stock dividends.

WATERED STOCK.—There is another method of creating stock, called "watering," to which serious objection may be urged. It is the writing up of the value of assets beyond their cost or worth, or the creation of fictitious assets, say "Good will," for example, the crediting of capital stock with the amount, and the issuing of shares to the extent of the inflation. We can only suppose a very few instances where such a course would be honest or justifiable. One would be the case of a mine, for which, say, \$100,000 had been paid, but which proved, by the operation of years, to be worth a much larger sum.

Conversion of a Private Business or Partnership Into a Joint Stock Company.

It has latterly become quite common for manufacturers, merchants and others in the Dominion to convert their concerns into Joint Stock Companies, the object often being to extend their trade by the introduction of new capital, which could not be obtained on the ordinary partnership principle, but only on that of limited liability; or to give permanence to the business, as in the following example, clipped from a Toronto newspaper:—

“Wyld, Grasset and Darling, the well-known wholesale dry goods firm, is applying for incorporation as a Joint Stock Company, to be known as the Wyld, Grasset, Darling Company, Limited, with a capital stock of \$500,000. The object of the step is to secure the permanence of title and capital.”

Death dissolves an ordinary partnership but has no effect upon an incorporated company.

OPENING THE BOOKS.

In opening the books when the former proprietor is to be paid for his business in paid-up stock of the new Company, make the accounts representing the plant, merchandise, real estate and other property turned over to the Company, debtor for their respective values, to Capital Stock (there are no liabilities assumed in this example); credit the man in the Stock Ledger, and give him a stock certificate for the number of shares. The new stock and stockholders will be dealt with as before described.

AN EXAMPLE OF CONVERSION WHERE LIABILITIES ARE ASSUMED AS WELL AS ASSETS.

Merchandise	<i>Dr.</i>	\$20,000 00	
Bills Receivable	“	5,000 00	
Personal Accounts (each will be named)	“	7,000 00	
Plant	“	8,000 00	
	To Capital Stock,		\$40,000 00
Capital Stock <i>Dr.</i>		10,000 00	
	To Bills Payable		5,000 00
	“ Personal Accounts (each will be named).		5,000 00

Post these entries to the General Ledger.

The above entries represent the assets and liabilities of the firm of John Jones & Co., which has, by Letters Patent of the Province of Ontario, been converted into a Joint Stock Company, under the name of “The John Jones Company, of Bowmanville, Limited.” The net capital of the firm at the time of its conversion into a Joint Stock Company, as shown above, is \$30,000, which is owned in equal proportions by John Jones and Robert Johnson. For this sum of \$30,000, paid-up shares of the Capital Stock of the Company have been issued to the said John Jones & Robert Johnson, in equal proportions, and the number of paid-up shares equivalent to \$15,000 have been placed to the credit of each in the Stock Ledger. The capital stock of the Company is to be \$50,000, and the \$20,000 of stock to be disposed of (the difference between the capital of the old firm and the capital of the new Company) is sold at par for cash. For this make,

Cash <i>Dr.</i>	\$20,000	
	To Capital Stock,	\$20,000

Post to the General Ledger, and also credit the respective holders with their shares in the Stock Ledger.

(See the 13th Set in this book for a full illustration of the subject, and also question in Advanced Accounting No. 67 and answer.)

SERVICES PAID IN STOCK.—Services are sometimes paid for by the issue of stock. A Company which had not issued all the stock authorized by its charter, being desirous to reward a president for his services, might do so, by giving him, say, ten shares of paid-up stock. The Journal entry would be :

Expense Dr.

To Capital Stock

and in the Stock Ledger the president would be credited with ten shares, and he would receive a certificate for that number.

SUBSCRIBED BUT UNPAID STOCK A RESOURCE.—It is not unusual for companies other than banks, which desire to secure public confidence, without which they could not exist, to obtain subscriptions for stock to a much larger amount than the capital necessary to carry on their affairs. To illustrate—a life insurance company must command public confidence to be successful. The capital required to carry on its operations beyond the amount deposited with the Dominion Government, in the interest and for the security of policy-holders, is small in comparison with that of a bank or an important manufacturing concern; but the permanence of the company and the ability to pay its liabilities to the widows and orphans, who will be its chief creditors, is of vital importance. By obtaining subscriptions for stock to an amount much larger than the capital required, and calling up, say, only a fourth of the amount, the company has a fund which, in the event of its being required, can be called for at any time. This fund, in the case of life insurance companies, is as tangible an asset as the double liability resource of a bank.

BONDS OR DEBENTURES.—When joint stock companies borrow money for a long period, they do so by the issuing and disposing of bonds or debentures, which are negotiable instruments, payable to the bearer, and attached to which are interest coupons, usually two for each year of the time for which the bonds are to run. The bonds of a railway or mining company are usually secured by a mortgage upon its property held by trustees for the bondholders, and they are called first mortgage bonds, if the mortgage is the first lien upon the property.

The difference between a stockholder and a bondholder of a company will, of course, be apparent—the stockholder is a partner, the bondholder is a creditor. Governments and municipalities also borrow upon debentures or bonds. The bonds of the Government of Great Britain are called “Consols, which is an abbreviation of the term “consolidated bonds.”

SPECULATION IN STOCKS.—The purchase and transfer of stock, to which we have hitherto alluded, have been genuine sales, and can be easily under-

stood. There is a large amount of speculation in stocks, however, in which there is no intention actually to deliver and receive them. This is called "buying on margin," which, with the particular jargon used in connection with it, is not easily understood by the uninitiated. A contract is made through a broker to buy a certain number of shares of some particular stock at a fixed price, within so many days—a margin, say five per cent. of the amount, being placed in the hands of the broker. Should the stock rise in the market, the speculator may order his broker to sell, and after paying him his commission, pocket a handsome profit; on the other hand, should the stock decline, the speculator must keep up his margin by making further payments, and it may be that, no favorable turn taking place immediately, he is unable to continue to carry the stock, and loses all he has invested. It will be seen that this kind of speculation simply amounts to a bet that a particular stock will be above a certain figure in the future. If it prove to be, the speculator wins; if not, he loses. Some curious phrases are used on 'change (this is an abbreviation of Stock Exchange, where the brokers carry on their operations), such as "bulls and bears," "corner," "short," "long," "put," or "call." The name "bulls" is given to those dealers who are endeavoring to force up the price of certain shares, and those are called "bears" whose object it is to lower them. A "corner" is the result of certain operations between these opposing forces. When it becomes known that there is a large number of "short contracts" out in a certain stock, advantage is taken of the fact by the buyers, who purchase all the shares they can get hold of, so that when the time arrives for the fulfilment of their contracts, the holders have the "shorts" at their mercy. The latter are compelled to purchase at greatly advanced prices, and are "cornered" unless they can break down the corner, when the tables may be turned upon the "longs." A "put" or "call" is a contract whereby, for the payment of a small sum of money, one dealer may require another to take or deliver within a limited time, say one day, a certain amount of stock at a stated price.

LIQUIDATION.—A Joint Stock Company, upon which a demand has been made for a debt amounting to \$200, and which remains unpaid after 60 days, may be forced into liquidation by its creditors. Application is made to the Court for a winding-up order, after four days' notice to the Company. The Court may, in its discretion, grant the order forthwith, or adjourn to make inquiry. The Company must show its books. After the order has been made, and a liquidator appointed, no transfer of stock can be effected, and the business of the Company must cease unless the liquidator deems it best that it should go on. With the appointment of the liquidator, the functions of the directors cease, for in him is vested full power to do all things necessary to wind up. He may appoint a solicitor to assist him. An execution cannot be enforced against a company in liquidation, and remedy against it cannot be obtained by suit, but by an order of the Court. The liquidator is subject to the Court. He must not deposit the company's money in the bank in his own name only, but in his official capacity, and he must produce the bank pass-book at meetings. He is paid as the court directs. After the final order is made the money in hand is deposited and left for three years, subject to any legitimate call, and at the end of that time it is paid over to the Receiver General.

For Joint Stock Company Bookkeeping, see J. W. Johnson's work: "JOHNSON'S JOINT STOCK COMPANY BOOKKEEPING" (now in the twelfth edition), published by Ontario Business College, Belleville, Ontario.

AUDITING.

To audit is to thoroughly examine and report upon the records of the transactions of a business, and upon the final exhibits made of their results. Auditors are employed chiefly on behalf of the shareholders of joint stock companies, and of the taxpayers of municipalities. No one can properly perform the duties of an auditor who has not a thorough knowledge of double-entry bookkeeping.

It is not, ordinarily, the duty of auditors to make out financial statements; it is the duty of those in charge of the books to make them, promptly at the end of the business year; it is the business of the auditors to do two things, (1st) to verify the statements by skilful and thorough checking of the books and documents, and (2nd) to certify that the statements are true abstracts from the books, and correctly present (a) the *financial result* of operating the business for the past year, and (b) its *financial condition* at the date named.

The value of an audit rests solely upon the competence, honesty and independence of the individuals who make it. Auditors are the trusted agents of the shareholders for the work they are appointed to perform. In their work they are ascertaining for each individual shareholder that which he ought to know, but which he has not the time or opportunity or skill necessary to ascertain for himself. Every shareholder of a company should desire to see, at least once a year, a statement of the losses and gains and of the assets and liabilities of the concern, and have the assurance conveyed to him, through a reliable audit, made by skilled, unbiassed and independent auditors, that the figures are true abstracts from the ledger accounts, the correctness of which they have verified by careful checking from books of original entry, and the examination of documentary evidence.

The duties and responsibilities of auditors have been widely discussed. Auditors do not always detect deliberate fraud. Lord Justice Lopes, an English Judge, when trying a recent case said: "An auditor is not bound to be a detective or to approach his work with suspicion, or with a foregone conclusion that there is something wrong. He is a watch-dog, but not a blood-hound."

Auditors for Joint Stock Companies are appointed by the shareholders at the annual general meeting. The reason why the shareholders, and not the directors, should make the appointments is very plain. The officers of the Company are largely controlled by the directors, and the audit being, so far as this connection goes, an examination of the faithfulness to the shareholders of both the officers and directors, it is necessary that the shareholders themselves should appoint the auditors.

The auditors upon being duly appointed should at once begin their duties, as a long delayed audit is far less effective than a prompt one, particularly if only one audit takes place in the year.

We would suggest to those who are engaged, or likely to engage, in auditing, that experience and common sense are, together with the thorough knowledge of accounting mentioned above, the requirements of an auditor. Take every opportunity of studying the printed statements of such institutions as banks, loan and insurance companies, read the best works on accounting and auditing, and be willing to learn from any source.

<p>Carrying on an Audit.</p>	<p>When commencing a new audit, ask for the books in use, and study the system of accounting in vogue. You may be able to suggest improvement in the methods ; if so, report your suggestions to the Board of Directors.</p>
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As the audit proceeds you will find it desirable to make notes on a piece of paper, or memorandum book, of matters that require to be further inquired into, or of improvements that may be possible in the bookkeeping, or in the manner of preserving or arranging documents. You have a right to insist upon vouchers and documents of all kinds, to which you have to make reference, being systematically arranged for you. The person responsible for them should be at your elbow and at your service.

An auditor should read over the minutes of the last shareholders' meeting, and of the directors' meetings throughout the year.

No rules can be laid down that will be an absolute guide to an efficient audit. Every competent auditor will have his own mode of procedure. Generally, we may state that books of original entry should be examined in detail, and their records followed into the Ledger. All documents bearing upon the transactions recorded, such as cheques, notes, drafts, invoices, etc., should be at hand for examination.

The Cash Book will naturally receive the closest attention. Income is difficult to check. As far as possible receipts should have been given for all money received, and for each receipt there should be a stub. If you have difficulty in checking the income, it will be well to suggest methods of record that will be more satisfactory. Strike out in independent directions in search of verification of some transactions ; outside confirmation in a few examples will give confidence in the ordinary detail.

The entries on the credit side of the Cash Book should agree with the vouchers. A few skirmishes out of the regular line of the vouchers will, as in the case of the debit side, be desirable.

Both sides of the Cash Book should be added. The balance on hand should be counted on the last day of the business year by the auditor, likely before the audit commenced. A better plan even than this is to require the balance to be on deposit in bank. In that case there is no doubt that

the balance is safe; in the other, the treasurer of the company, if he were short, might borrow the amount of the balance for the purpose of the audit.

The balance shown in the bank pass-book will often differ from the balance shown in the Company's bank account, the cause of the difference being the sum of the cheques issued the previous month that had not been presented when the pass-book was balanced. Make a reconciliation memorandum in *red ink* on a blank space on the last page of last month's record in the pass-book, thus:

Pass-book balance	\$2,090 60
Company's balance	1,749 80
	<hr/>
	\$340 80
Checks not presented:	
No. 926	\$160 00
“ 930	100 00
“ 939	80 80
	<hr/>
	\$340 80

As a matter of fact the Company's treasurer should make such a reconciliation memorandum (if necessary) each month; then it would be merely checked by the auditor.

Vouchers. To be acceptable to an auditor, a voucher should not only be an acknowledgment of money paid, but there should be the proper authority for the payment, which is usually the vote of the Directors, as recorded in the minutes; or, if a municipality, the vote of the Council as recorded in the minutes. A cheque payable to order and indorsed by the payee is evidence of payment to him, or a written receipt is evidence of payment, but neither of these should suffice an auditor, unless he has seen the proper record of the authorization.

Auditors should place their initials in ink upon all vouchers and papers submitted to them. This will prevent a dishonest man from using them again; and when checking, they should adopt a distinctive tick and use colored ink or pencil, which it would be well to change at each balance.

**Receipting
Bills and
Invoices
to Aid the
Auditing.**

The writer found this plan in vogue in Great Britain while on a visit in 1906. Instead of acknowledging payment of a Bill or Invoice upon its face, it is a good plan, for the purpose of checking and auditing income, to require that all payments be acknowledged on a separate printed receipt slip to be detached from a book of receipt slips and *gummed to the Bill or Invoice*.

These should be numbered consecutively by the printer (so that each must be accounted for) and for each there should be retained in the book a duplicate stub with full particulars, bearing the corresponding printer's

number. Instead of a stub, a duplicate of the original receipt may be made with carbon paper and retained.

EXAMPLES.

No.....
ST. ENOCH STATION HOTEL,
GLASGOW.

.....190

Room.....

Received, £

: :

For J. H. THOMAS.

T. H. B.

No Receipt is valid unless given on this form.

No.....

CRANSTON'S IVANHOE HOTEL,
BLOOMSBURY STREET, W.C.

.....190

RECEIVED OF.....

ROOM No.....

£ : :

SIGNATURE.

No Receipt is valid unless on this form.

If an auditor has any reason to suppose that the personal accounts in a Ledger are unreliable, or if he desires to check them, he should send out a statement of account to each person, with a direct request for confirmation similar to the following:

THE BELL TELEPHONE CO. OF CANADA.

BELLEVILLE, 19th March, 1908.

Mr. J. W. Johnson,

Ontario Business College.

Sir,—

Being engaged in auditing the books of this office, I find you are charged with \$12.50 Rent, due 1st of March.

If this is incorrect, please notify Ontario Department, Hamilton, at once; otherwise I shall assume that you admit the correctness of the charge.

(Signed) A. W. BARNARD,
Auditor.

The details having been examined, it is the final duty of the auditor to carefully examine the Balance Sheet. The Balance Sheet* might be mechanically correct and yet be unreliable. Assets might be included which are valueless; all the liabilities, such as unpaid accounts, might not be included. The Loss and Gain Statement (or, as it is called sometimes, the Revenue or Working statement) might be falsified for a purpose.

The auditor's duty is to see, so far as he may be able, that the inventories were taken at actual worth, that bad debts and worthless notes were written off, that due allowance was made for depreciation in plant, office furniture and all property accounts; that if there are fictitious or inflated assets included in the balance sheet, such as Good Will, or Patents, the fact is made clear. The

*Read the description of a Balance Sheet at pages 94 and 95.

auditor should ascertain whether all the debts owing by the Company or Corporation have been duly carried into the ledger and appear in the Balance Sheet.

THE REVENUE STATEMENT, which shows the profits and losses or working of the concern, should be thoroughly analyzed, on the debit side to see that all amounts properly chargeable to revenue have been placed there, and not charged to asset accounts, or, as the technical phrase is, "Charged to Capital;" also on the credit side to see that no fictitious profits are shown.

All securities held by the Company or Corporation should be examined. In case of a Loan Company, the present value of each mortgage should be worked out. Insurance policies should be examined, and it would also be an auditor's duty to see that a sufficient amount of insurance was carried. If there are personal accounts standing in the ledger unsettled for a long time, the duty of the auditor is to inquire the cause.

In connection with Loan and Deposit Companies, auditors should, by statement through the mail, inform every borrower of the balance against him, and every depositor of the balance at his credit.

The auditor should see that the Capital authorized has not been exceeded. He should see that the amounts at the credit of the stockholders on the Stock Ledger exactly correspond with the sum at the credit of the Capital Stock account in the General Ledger. He should examine the records of the transfers of stock for the past year.

If an auditor finds that dividends have been declared and paid out of Capital, his duty demands that he shall so report.

In municipal auditing the auditor must see that all income which should reach the treasury has been received. See page 178 for suggestions respecting the collector of taxes.

Every cent on the tax rolls must be accounted for. Ascertain by the actual checking of the Collectors' Roll that the amounts paid to him have been by him paid to the treasurer, and that the treasurer's record of such payments agree with the payments noted on the Collectors' Roll; and with all other revenues, such as licenses, police court fines, dog taxes, frontage taxes, rents, etc. See that the sinking funds and the interest upon them are invested as authorized and required, and that the securities are sound.

AUDITORS' REPORT.

The undersigned beg to report that they have carefully audited the general books and those of the pursers of the propellers of the Ontario Transportation Company, Limited. They have examined thoroughly the receipts and expenditures of the vessels and those of the head office, and find them correct; they have verified the entries affecting the Company's Share Capital,

and the transfers of Stock, and the statements herewith presented are true abstracts from the Company's books, and correctly represent its financial position as on August 1st, 1908.

I. L. MOORE,	}	Auditors.
F. H. HENRY,		

Belleville, August 25th, 1908.

(ANOTHER.)

AUDITORS' REPORT.

To the Shareholders of the Toronto Loan and Savings Company.

GENTLEMEN,—

The undersigned beg to state that they have checked the vouchers, mortgages, and books of the Toronto Loan and Savings Company, and find them correct, agreeing with the annexed statement, which is a true exhibit of the affairs of the Company, as on 31st December, 1907.

GEO. EDWARDS, F.C.A.,	
F. S. SHARPE, F.C.A.,	
	<i>Auditors.</i>

Toronto, February 6th, 1908.

BANKING.

Banks exist primarily for the purpose of lending money, which they do principally upon the security of promissory notes and bills of exchange for short periods, usually 30 to 90 days. They not only lend the capital belonging to the stockholders, but also the money deposited by the public. The loans made by the banks are called discounts. Wholesale trade is largely done on credit, the customers giving their notes or acceptances, generally not longer than three months, for the goods they buy. This paper, after being indorsed, is discounted—that is, money is borrowed upon it at the banks, the amount paid for the loans being the interest (usually about 7 per cent. per annum) on the face of the paper from the date of discounting to the date of maturity, which always includes the three days of grace. The net proceeds are usually placed to the firm's credit, as a deposit would be, and are available thereafter. It will be observed that in discounting a note, payment is made for the use of the money, not at the end of the period for which it was borrowed, but at the beginning, and in this will be seen the difference between bank discount and true discount.

Besides discounting commercial paper, the banks make remittances and collections, advance money on warehouse receipts and bills of lading, covering grain and other agricultural produce; on lumber and other merchandise, and

buy and sell foreign exchange, created by the exports and imports of the country. They are also empowered in Canada to issue paper currency, limited only by the amount of their paid-up capital. There are heavy fines if this is exceeded, graded according to the extent of the over issue. These penalties, however, do not form a charge upon the assets until the other liabilities are paid. The notes issued must be for not less than \$5.00 and the higher denominations must be multiples of \$5.00. The Government of Canada reserves the power to issue all bills of lower denominations than \$5.00. In getting payment from any bank, a person can demand and compel \$60.00 of the payment to be in small notes of Dominion issue. The banks are bound to keep 40 per cent. of their reserves in Dominion notes.

The system of banking pursued in Canada approaches nearer to the British than to the United States plan, but it is sufficiently distinct from either to be Canadian. The British system has been followed in establishing institutions with large capital, having a head office in an important centre, with branches in various cities and towns. The Bank of Montreal, for instance, has a paid-up capital of fourteen million four hundred thousand dollars, and a rest, or surplus capital, saved out of earnings, of over eleven millions, and it has over one hundred agencies, in each of which deposits are received, discounts granted and the same general banking business carried on as at the head office. United States Banks have no branches.

By the term "The Banks" is always meant the Chartered Banks, which are Joint Stock Companies, organized under Dominion Legislation, and acting not only under their own separate charters, but subject to the General Bank Act (to which reference is made hereafter). *The shareholders of any Joint Stock Company in Canada, other than a bank, have no liability beyond the amount of the shares for which they have subscribed, but the shareholders in a bank are liable, in event of the bank's insolvency, to be called upon to pay double the amount of the stock for which they have subscribed, should the existing assets not be sufficient to meet its liabilities. This requirement of the law is primarily in the interest of bill holders, because they are involuntary creditors, the bills of the banks being largely the money current in Canada.

Private individuals may do a banking business—that is, they may receive deposits, discount paper, make collections, etc., but they cannot, of course, issue paper currency. Private bankers are required by law, under severe penalties (a fine of \$1,000.00 or imprisonment for not more than five years), to carefully avoid the use of any name in connection with their office or place of business that would lead ignorant people to mistake it for, or confound it with, any of the chartered banks.

THE NATIONAL BANKING SYSTEM OF THE UNITED STATES.

Before discussing the history and present constitution of Canadian Banking, it will be well to deal briefly with the chief characteristics of United States Banking.

* There are a few exceptions to this, but only in the case of companies established many years ago.

The National Banking system of the United States was the creation of a great statesman (Secretary Chase, Secretary of the Treasury in Lincoln's administration) at a critical time in the nation's history. It originated during the war, and was created incidentally to aid in carrying it on, but primarily to remedy the evils of the State Banking System, under which hundreds of small banks, with State charters only, issued currency without security beyond that of the weak institutions that issued it. Such currency was accepted only in the immediate neighborhood of the local banks; a few miles away the notes were not taken at par, and at a distance they would not pass at all. Under the National Banking Act a national currency was created, having as security for its redemption the deposit with the National Government of United States bonds. Absolute security is thus assured to the bill holder of any National Bank. For example, you may hold bills, say of a bank in Maine, of which you know nothing—indeed, it may have become insolvent—but owing to the fact that for every dollar of its currency it was obliged to place with the Government U. S. bonds to secure its redemption, you give yourself no concern about the bank's financial position. In brief, the bill holder's security is the credit of the National Government.

The creation of the National Banking System, however, did not deprive the several States of the right to grant bank charters, with note issuing powers; but the existence of a federal tax of 10 per cent. per annum renders the power inoperative.

The absolute security afforded by American National Bank currency makes it one of the best in the world, so far as the bill holder is concerned, but as a currency adequate to the requirements of the country's commerce, as much cannot be said. It lacks the power, for example, of expansion and contraction essential to changing circumstances. When an increased demand comes—say in the fall, when the crops are being moved—United States Banks cannot, as Canadian Banks do, issue their own promises, and thereby create money to meet the temporary demand. They can only issue notes procured at Washington, against which they must deposit U. S. bonds.

The following statement, made by an eminent authority, on this point, is interesting and instructive. It is clipped from a newspaper:

U. S. and Canadian Banking Systems Contrasted.

Chicago, Dec. 7.—The gentlemen of the Sunset Club sat down to dinner last night at the Grand Pacific. Secretary Post was introduced by Mr. E. S. Lacey, ex-Comptroller of the Treasury, as chairman, for the after-dinner financial discussion. In taking the chair, Mr. Lacey, who is now president of the Bankers' National Bank, outlined what he considered to be the most needed of reforms in the financial system. He said that the currency of this country lacked elasticity, and drew a comparison between the system in vogue in Canada and that of the United States, with the comparison in favor of the Canadian system. In the Canadian banks it was stated that there was the power to issue notes at any time to meet an emergency, these notes being withdrawn when the necessity for their existence had passed. Mr. Lacey said that in the panic of 1893 the ability of Canadian banks to issue notes to meet an emergency enabled them to do much to relieve the stringency in the Chicago money market. When these notes had served their purpose they were returned, and passed out of existence. "By empowering banks to issue notes," concluded Mr. Lacey, "there will be an elasticity of currency that will prevent either redundancy or stringency."

The currency of the National banks of the United States being secured as described, it may be termed, and is, indeed, a National currency, accepted at par from the Atlantic to the Pacific; but while the currency is worthy of the name, the banks themselves are merely local institutions, doing business in one locality.

American banks have no branches. They simply supply local wants, and are not concerned about the requirements of communities beyond their own, and, consequently, no bank can attain to National importance. The name National, then, does not come from the importance of the individual institutions, but from the fact that they are organized under the National Government, and not merely by state authority. A separate Act of Congress is not required to form a National Bank. It is created under a general incorporation act, by the promoters complying with the forms prescribed.

CANADIAN BANKING.

Each bank in Canada has its own separate charter from the Dominion Parliament, but all are subject to the General Bank Act, which is revised and re-enacted at the end of each decennial period. It is not within the power of a Provincial Parliament to create a banking corporation.

Capital authorized means the limit to which stock can be issued under a bank's charter; Capital subscribed means the amount of stock that has been taken or subscribed for; Capital paid up means the amount of cash actually paid in upon the stock subscribed.

There is a General Bank Act in force in Canada, under which every Chartered Bank in the Dominion carries on its operations, which regulates the currency, and to the requirements of which every new bank that may seek incorporation must submit.

Banking legislation that existed prior to the present Act was faulty in two important points; it made the creation of new banks too easy, by permitting them to come into existence with a capital paid in of only \$100,000; and it did not provide for the adequate securing of the currency issued by the banks, nor insure its passing at par.

The amendment made in regard to the capital of a new bank is, that it cannot be opened unless at least a quarter of a million of dollars has been paid in and actually placed on deposit temporarily with the Government.

THE NATURE OF CANADIAN BANK NOTES

AND OF THE SECURITY THAT EXISTS FOR PAYING THEM.

The bills of a Canadian bank are promises of the bank to pay the bearer on demand the sums named. If a demand were made for payment, the bank could make its choice of paying in gold or legal tender, legal tender being notes of the Dominion of Canada. To be in readiness to meet a demand for

payment of their currency, the banks hold a reserve of gold and Dominion legal-tender notes. Every-day experience on this continent proves that people do not desire to carry gold money; they are content to receive, keep and pay paper money because it is convenient and less liable to be lost, and the experience of many years has demonstrated in Canada that an instantly available cash and legal-tender reserve to the extent of ten per cent. of all liabilities of the banks to the public is a safe provision.

It must not be forgotten that banking is the giving and receiving of credit, and there is inherent in it a commercial risk. The depositor takes a risk when he deposits; the bank takes a risk when it lends to a customer. The ultimate test of a bank's financial ability to meet its obligations is the solvency of the merchants, the manufacturers and the other classes of customers to which it lends the funds at its disposal.

The currency of a Canadian bank is, practically, a currency secured on a gold basis; and to insure that no loss shall come to the holders of bank bills the law makes special provision for their security and redemption, which is as follows: The bills of a bank have the first claim upon all its assets, including what is known as the double liability of the shareholders, which means that in the event of the failure of a bank, each shareholder may be called upon to pay in, for the benefit of the bank's creditors, a sum equal to the par value of the stock he holds. Besides ranking thus as preferred creditors on the bank's assets, the holders of the currency of a suspended bank have recourse also to a fund in the hands of the Canadian Government known as the

"BANK CIRCULATION REDEMPTION FUND,"

which was created and is maintained by each of the banks contributing a sum equal to five per cent. of its accurately ascertained average yearly circulation. This fund is available to pay the bills of any suspended bank irrespective of the sum which the particular bank contributed to it. All the banks are thus made security for the redemption of the currency of each bank. It is further provided in the Bank Act that in the event of suspension, the notes then in circulation shall bear interest at the rate of five per centum per annum from the day of suspension to such day as shall be named by the directors or liquidators for their redemption, and that there shall be some place in each province where, for the convenience of the public, the bills of each bank may be presented for payment.

A bank must not issue bills of a lower denomination than five dollars nor for any denomination that is not a multiple of five, and its total issue of bills must not exceed the sum of its paid-up capital.

The Government of Canada reserves to itself the right to issue all bills of a lower denomination than five dollars.

With such admirable security for redemption, provision for interest, in case of suspension, and convenience in the matter of presentation, no one need hesitate to accept without question the bills of any Canadian bank.

As stated, the bill holders have the first claim upon the assets of a bank; the amounts due to the Dominion Government have the next claim, and the amounts due to the Governments of any of the Provinces have the third claim.

We are shortly to have a mint in Canada. We have had, up till now, gold with the United States stamp and English stamp upon it; but, except that as Canadians we would prefer to see the stamp of Canada on gold in our possession, it made no difference what was the origin of the gold; if a man had it, it was his. A Government's stamp on coin is a guarantee of genuineness and a determination of value, that is all.

The Canadian Bankers' Association. Its Advantages Demonstrated. This association was incorporated in 1900, to promote generally the interests and efficiency of banks and bank officers. It has extensive powers, among which are the appointment of a curator to supervise the affairs of any bank that suspends payment, and the supervision of the making of the notes of the banks, the delivery thereof to the banks, the disposition made of them, and their destruction. It can also establish Clearing Houses.

The solidarity of the Canadian Banking System, the unity of interests, and the communion of responsibilities among the banks were evinced in a very satisfactory manner to the public when the Ontario Bank began to totter in October, 1906. Mad speculation on the part of the general manager had caused a loss equal to the paid-up capital. Standing isolated and alone in such a crisis the Bank must inevitably have suspended payment and closed its doors, causing thereby panic, delay and possibly loss to its depositors, and much disturbance and inconvenience to the business of its borrowers. The Bankers' Association intervened promptly. The Bank of Montreal, at the request of the Association, and with the assurance against loss by the Banks which are included in its membership, guaranteed the liabilities to the public of the Ontario Bank (not the liabilities to the shareholders), and thereby a financial crisis, possibly a disaster, was avoided.

In connection with the failure of the Ontario Bank the security that exists for the redemption of the currency of the Banks (see pages 239 and 240) was demonstrated to be entirely satisfactory. Those holding the bills of the Ontario Bank gave themselves no concern, as the possibility of loss upon them could not be apprehended.

Unclaimed Moneys. It was originally intended that all unclaimed dividends and balances should pass to the Government. But it is provided instead, that a list of such of these dividends and balances as are of five years' standing shall be furnished to the Government for publication every year. In case of insolvency the unclaimed money is to go to the Government for safe keeping.

**Minor Points of
the Bank Act.**

The old law stipulated that all directors should be British subjects by birth or naturalization. But this requirement has been modified. A majority only of the directors need be British.

Under the old law, too, each director had to hold a certain proportion of stock, for example, \$3,000 worth, if the entire capital stock aggregated a million, and \$4,000 worth, if over a million and less than three millions. It was not necessary, however, that the director should have paid one cent upon this stock. The new law makes the payment of \$3,000 in cash compulsory, where the entire stock is a million, and \$4,000 where the stock exceeds a million. Every director must thus have a cash interest in the institution he directs.

Bank Inspection. The failure of the Ontario Bank gave occasion for the public discussion of the subject of Bank Inspection. The following contribution by the author of "The Canadian Accountant" appeared in a number of the influential journals of Toronto and Montreal :—

STR,—Probably none of the facts so far elicited and made public in connection with the alleged wrecking of the Ontario Bank by its late general manager has affected public confidence in bank statements and returns so much as that related by an inspector of the Ontario Bank :—

"That the duties of inspectors pertained only to the branches, and that they were neither expected nor required to inspect the books of the head office."

He added further that he believed this sort of inspection was pursued by all the banks.

The inspecting staff of a Canadian bank is composed of men who are permanent employees of the bank, whose appointment and promotion and remuneration are under the control of the directors. That the work of inspecting the branches is well and faithfully done has never been questioned by the public. It is to the personal interest of an inspector to be faithful in the performance of duty, as fidelity and ability are sure to be recognized and rewarded by the general manager and directors. So far as branch inspection is concerned, I believe the present system is not only satisfactory, but is the only one possible. Audits of branches by Government officials, as has been suggested, would be futile and unsatisfactory. Such audits, for example, of the branches of the Bank of Commerce, which now number 162, would be little less than a farce. It may be said, in reply to this statement, that Government officials inspect the books and affairs of the banks of the United States. That is quite true, but it must be remembered that United States banks have no branches, and, consequently, their business is concentrated, not only in one city or town, but in one building.

The failure of the Ontario Bank has drawn special attention to the point in bank administration at which there is no watchdog—the general ledger at the head office. Here is the reservoir into which pour the streams of statements from the inspected branches, and from this source are drawn the facts and figures that present the bank's condition monthly to the Government and half-yearly to the shareholders.

Outside and independent inspection and thorough audit is possible here, and it should be instituted forthwith in the interest of the public and the shareholders, and for the preservation of the deservedly high reputation that Canadian banks have achieved. The president of the Ontario Bank certified that the bank's statements to the Government and shareholders were true; the other presidents do the same thing. Does anyone believe that presidents know of their own knowledge, reached by personal checking and inspection, that the figures presented are even approximately correct? Let us continue to have the signature of the

general manager to a bank's statement, he ought to know, he is paid for knowing, and should be held to grim responsibility, but let us also have the verification by independent, competent accountants, wholly free from the influence of the general manager and the directors, that the statements presented are true abstracts from the bank's ledger at the head office and actually represent its financial condition at the date of issue.

A former president of a Canadian bank, an eminent statesman, one who had been Finance Minister of Canada, I refer to the late Sir Francis Hincks, was arrested on a charge similar to that made against the president of the Ontario Bank. The prosecution failed because Sir Francis could not, any more than could Mr. Cockburn, be certain that what he signed was true, but the law (very absurdly, I think) made his signature obligatory.

J. W. JOHNSON, F.C.A.

Vice-president Institute of Chartered Accountants of Ontario.
Belleville, Nov. 9th, 1906.

Several of the banks are now having audits performed by Chartered Accountants.

A protective clause prohibits the pledging, assignment, or hypothecation by a bank of its own notes. A bank, under the former law, as a last resort, might endeavor to raise money on notes it could not issue in the ordinary way. Seeing that notes are a first lien upon the assets, the practice would establish preferential claims. The punishment for this offence is a fine and imprisonment.

Further regulations of a protective character to shareholders require that no bank shall declare an annual dividend exceeding eight per cent., unless it has a reserve equal to thirty per cent. of its capital, and that all banks shall in their annual reports indicate their losses as well as their profits.

**Sales of Stock on
Margin Prohibited.**

One of the striking points in the law is a provision rendering the sale of stock on margin illegal, and indeed penal. The section provides that all sales and transfers of shares, and all agreements in respect thereof, shall be null and void unless the person making such sales is at the time thereof the registered owner of the shares in the books of the Bank. It also sets forth that in all sales the registered numbers of the shares shall be mentioned. Any person selling a share by a false number, or selling a share of which he is not the registered owner, or selling a share without the consent of such owner, shall be guilty of an offence against the Act.

This clause is to prevent jobbing in stocks or selling on margin. There can be no sales but *bona fide* sales; no transfers but *bona fide* transfers. Neither should there be under it any assault extraordinary upon the stock of a bank. The requirement that all transactions shall be in actual stock, duly registered, removes the temptation to elevate or depress quotations by reports, false or otherwise. It is an important change in the law, destructive of the opportunities to speculate. This principle, we believe, is to be found in the English Banking Act, into which it was imported with a view to the suppression of over-speculation and the avoidance of its results.

The liability of shareholders who have sold and transferred their stock does not cease until sixty days after such sale and transfer, in place of thirty days, as before.

Proxies must be renewed every two years instead of three, and they must be produced and recorded thirty days prior to a meeting, in order to qualify directors.

What Banks May not do. Banks are prohibited from buying or selling goods, wares and merchandise, or from engaging in any trade or business whatever. A bank is not allowed to make advances upon the security of its own shares or the shares of any other bank, and it cannot lend money or make advances upon the security of mortgages on lands or chattels, or upon the security of any kind of merchandise except as below.

What Banks May do Beyond Ordinary Discounting. Banks can take mortgages on real property by way of additional or collateral security for debts contracted in the course of business, but they must sell or dispose of the land within seven years from the time they acquired it; and they may acquire and hold any warehouse receipt or bill of lading as collateral security for the payment of any debt incurred in their favor in the course of banking business.

Banks may lend money to a wholesale manufacturer upon the security of the goods manufactured by him, or procured for manufacture; and they may lend to a wholesale purchaser or shipper of products of agriculture, the forest, quarry and mine, sea, lakes and rivers, or the wholesale purchaser or shipper of live stock or dead stock, and the products thereof, upon the security of such products. A form of security for loans thus secured is given in the Act in Schedule C.

Review of the Advantages Afforded. We have in Canada a most excellent Banking System, well suited to the requirements of a country extending across a continent, and we have a currency as sound and well secured as any in the world.

THE SHAREHOLDERS of Canadian banks possess profitable investments; not only is the capital paid in by the shareholders employed in earning an income for them, but the reserve fund, created out of the profits of former years, as well as the money deposited with the bank by the public, are continually employed, and this accounts for the high dividends they receive. Take the Bank of Commerce as an example. In its statement of November 30th, 1906, it shows about ninety millions of dollars under loan. The capital paid in by the shareholders is ten millions, its reserve fund five millions; so that while its own funds are fifteen millions, yet at this date there were about ninety millions of dollars employed by the bank in loans. A large portion of the money deposited does not bear interest, and the balance only 3 or 3½ % while an average of 7% is received by the bank for lending it. As high a rate as 16% to 18% is earned by Canadian Banks upon their paid-up capital. The Merchants Bank earned 16% and the Standard Bank nearly 18% in 1907. The Bank of Montreal, in addition to supplying funds to its many Canadian branches, employs a large sum (an average of about \$27,000,000) in

London and New York, lending principally on stocks and bonds at short dates, or on call loans. When financial pressure occurs, or hard times appear, the bank calls in its New York and London loans, and continues its accommodation to its Canadian customers without restriction.

THE DEPOSITORS are afforded a safe place for funds which may be temporarily unemployed, or for funds which they prefer to keep in the banks at a comparatively low rate of interest, rather than run the risk incident to speculative investments on their own account.

THE BORROWERS from the Atlantic to the Pacific have the amplest facilities to obtain loans from strong and reputable institutions, that can have neither the necessity nor the disposition to "squeeze" them. By our system of branches, the money on deposit in a community in excess of local demand is moved to other localities where enterprise is keener, and thus the flow of capital is constant in the various directions in which it is needed. For example, the great Bank of Montreal, the premier monetary institution on the American continent and the fifth largest in the world, is not merely concerned about the trade of the metropolitan city in which its head office is situated, but it is equally concerned about the trade and well-being of each city, town and village in which it has a branch, and to the number of over one hundred its branches are scattered throughout every Province of Canada. When a community is formed in either the older or newer provinces, the people do not have to wait for banking facilities until surplus capital has accumulated in the locality. The Canadian banks follow the settlers, establish branches, and supply the money needed in all lines of industry. In a recent year no less than fifty branches of chartered banks were opened in Manitoba and the Territories.

THE BILL HOLDERS, who are involuntary creditors of the banks, are now secured beyond any possibility of loss, as before described. Inflation of the currency is rendered impracticable by the continuous daily redemption of the currency between the banks themselves, while healthy expansion and contraction are regulated by the simple law of supply and demand.

It is truly a NATIONAL BANKING SYSTEM, when, as we have shown, the banks are interested in the trade of every locality, and every individual is personally interested in the banks, as shareholder, depositor, borrower or bill holder.

At a meeting of the American Bankers' Association, held in New Orleans, La., some years ago, Mr. William C. Cornwell, cashier of the Bank of Buffalo, N. Y., read a paper on Canadian Banking. In it he gave it as his opinion that, with the exception of Scotland, Canada has the best banking system in the world.

**Ten Years of
Banking Increase.**

Late returns of the Canadian chartered banks, made in accordance with the statute of the Department of Finance show development in the decade from 1896 to 1906, that is hard to realize :

Branches	increased from 747 to 1500.			
Circulation	"	"	\$ 36 millions to	\$ 83 millions.
Paid-up Capital	"	"	62	" " 94
Reserves	"	"	26	" " 66
Deposits	"	"	192	" " 572
Assets	"	"	325	" " 935

This expansion is without parallel in our own history, and has probably never been surpassed in any part of the world.

BALANCE SHEET.

BANK OF MONTREAL.

30th April, 1907.

ASSETS.		LIABILITIES.	
		<i>To the Public.</i>	
Gold and Silver coin current	\$ 5,475,116.83	Notes of the Bank in circulation	\$ 10,751,307.00
Government demand notes	5,978,322.25	Deposits not bearing interest	33,253,427.49
Deposit with Dominion Government required by act of Parliament for security of general bank note circulation	529,000.00	Deposits bearing interest	97,627,703.71
Due by agencies of this bank and other banks in Great Britain	4,215,105.57	Balances due to other Banks in Canada	166,872.34
Due by agencies of this bank and other banks in Foreign countries	4,836,264.46		141,799,310.54
Call and short Loans in Great Britain and United States	27,025,937.00	<i>To the Shareholders.</i>	
Dominion and Provincial Government Securities		Capital Stock (paid up)	\$ 14,400,000.00
Railway and other Bonds, Debentures and Stocks	36,077,307.03	Reserve (or Reserve, being undivided profits)	11,000,000.00
Notes and Cheques of other Banks	1,335,813.74	Balance of Profits carried forward (undivided profits)	422,689.98
	9,279,418.11	Unclaimed Dividends	2,500.51
	3,958,573.98	Quarterly Dividends, payable 1st June, 1907	360,000.00
	\$862,633,551.94		26,185,190.49
Bank Premises at Montreal and Branches	600,000.00		
Current Loans and Discounts in Canada and elsewhere (rebate interest reserved) and other assets	\$104,522,334.74		
Debts secured by mortgage or otherwise	95,453.93		
Overdue debts not specially secured (loss provided for)	133,160.42		
	104,750,949.09		
	\$167,984,501.03		

\$167,984,501.03

Analysis of the Foregoing Statement of Assets and Liabilities for the Student.

The student will find it a profitable study to analyze the above statement of the largest Bank in America, and one of the great financial institutions of the world.

Begin with the assets, noting each item, and particularly "Current Loans and Discounts" (over 104 millions of dollars), which shows *the* important factor in the business of the Bank, namely, the amount lent upon the security of promissory notes and bills of exchange, principally to merchants and manufacturers. This will suggest to your mind that the stability of a bank is not to be measured by the gold in its vaults, but upon the financial condition of its borrowers.

The assets amount to	\$167,984,501.03
The liabilities to the public amount to....	141,799,310.54

The amount owing the proprietors is	26,185,190.49
--	---------------

or the sum that the Assets exceed the liabilities to the public.

Fourteen million four hundred thousand of this was the capital paid in, and the balance is the accumulation of undivided profits since the bank commenced business nearly ninety years ago, as shown in the Bank's Ledger, and in the above statement under these heads.

Capital stock.....	\$ 14,400,000.00
Rest.....	11,000,000.00
Balance of Profits carried forward....	422,689.98
Unclaimed Dividends.....	2,500.51
Quarterly dividend, payable June 1, 1907.....	360,000.00
	<hr/>
	26,185,190.49

Statement of the result of the business of the Bank of Montreal for the HALF YEAR ended 30th April, 1907.

To Quarterly Dividend 2½ per cent. paid 1st March, 1907.....	\$360,000.00	By Balance of Profit and Loss Account, 31st October, 1906. .	\$ 159,831.84
To Quarterly Dividend 2½ per cent. payable 1st June, 1907.....	360,000.00	By Profits for the half year ended 30th April, 1907, after deducting charges of management, and making full provision for all bad and doubtful debts.	982,858.14
	<hr/>		
	\$720,000.00		
To Balance of Profit and Loss carried forward.....	\$422,689.98		
	<hr/>		
	\$1,142,689.98		<hr/>
			\$1,142,689.98

ANALYSIS OF THE ABOVE PROFIT AND LOSS STATEMENT FOR THE STUDENT.

The statement of the half-year's operations shows that the Bank's net earnings were.....	\$ 982,858.14
Out of the earnings, a dividend amounting to 5 per cent. for the half-year upon the paid-up capital of \$14,400,000 was paid.....	720,000.00
Leaving a balance of.....	262,858.14
to be added to the amount left at the credit of Profit and Loss account last half year, which was.....	159,831.84
Balance of Profit and Loss carried forward.....	422,689.98
which sum you will see in the liabilities statement, under the head of "Liabilities to Shareholders."	

NOTE.—Market price of Bank of Montreal stock, 30th April, 1907—247%; that is, for \$100 of stock, sales were being made at a premium of \$147 on the Stock Exchange. The Bank pays a dividend of 10%. So that the investor buying at 247 would be earning not quite 4% upon his investment.

The soundness of any company, partnership or individual, is determined by ascertaining the difference between the sum of the assets and the sum of the liabilities to the public. This is the formula: Assets - Liabilities to the public = Capital. Do you consider that the Bank of Montreal is sound?

QUESTIONS FOR REVIEW.—BANKING.

What is the chief business of a bank? On what security are loans principally made? Do they confine loans to their own capital? What are the loans called? What is the difference between bank discount and true discount? Besides discounting commercial paper, what other business do banks do? To what extent can banks issue paper currency? Can banks issue notes less than the denomination of five dollars? What power does the Government reserve respecting notes? In getting payment from a bank what can you demand? What per cent. of their reserves must the banks keep in Dominion notes? Wherein do Canadian banks follow the British system? What is meant by the term "The Banks?" What is the liability of the shareholders in banks? In whose interest does the double liability exist? Can private individuals do a banking business? Can private bankers issue paper currency? What must private bankers avoid doing?

QUESTIONS FOR REVIEW—UNITED STATES BANKING.

When was the National Banking System of the United States created? What was the principal object intended? What security is there for the redemption of the currency of United States banks? Can the individual States grant bank charters with note-issuing powers? Why is the power in disuse? What feature of American Bank currency is regarded as a defect? Do American banks have branches? From what does the term National come? Is a separate Act of Congress necessary to establish an American Bank? State how a National Bank is created.

QUESTIONS FOR REVIEW—CANADIAN BANKING.

What does each bank in Canada possess, and from what source? To what are all the chartered banks subject? What does capital authorized mean? What does capital subscribed mean? What does capital paid up mean? Can Provincial Parliaments grant bank charters? What were the two chief faults in the previous Bank Act? How much capital must now be actually paid in before a new bank can commence business? Explain the nature of Bank Bills. What security exists for their redemption? What is the "Bank Circulation Redemption Fund" for? What is the lowest denomination of Bills that a Bank can issue? Who issues the lower denominations? What is the limit to a Bank's issue of Bills? What is the first charge upon the assets of a bank? What is the second? What is the third? What are the banks required to do respecting unclaimed moneys? Must all the directors of a bank be British subjects? What is the qualification of a director if the capital of a bank is a

million dollars? What is it if the capital exceeds a million? What is the penalty if a bank assigns or hypothecates its notes? What reserve must a bank have before it can declare a dividend exceeding eight per cent. per annum? What provision is made to prevent gambling in stocks? When does the liability of shareholders who have sold stock cease? How often must proxies be renewed, and when recorded? What are the banks prohibited from doing? What may banks do beyond ordinary discounting? Canadian banking is characterized as an excellent system; state some of the reasons, from the point of view of (1) the shareholder, (2) the depositor, (3) the borrower, (4) the bill holder. Analyse the financial statements of the Bank of Montreal.

DEALINGS WITH BANKS.

An account may be opened with a Bank by calling upon the Manager. Evidence as to integrity or reliability of character on the part of a stranger is required. If that is satisfactory, he will be requested to write his name in the signature book in the style in which his cheques will be signed. If the account is opened in the name of a firm, the signature of the firm is written by each member, and his own name opposite. This is for the purpose of comparison, should a cheque with a doubtful signature be presented. The necessary blanks and pass-book are furnished by the bank. The deposit slips (See page 254) are filled up by the depositor, who, in addition to writing his name and the date, specifies the particular kind of funds deposited, according to the printed divisions of the slip, and also writes the total amount deposited. The slip should be handed in to the Teller along with the money deposited. These slips enable the Teller not only to see at once if the money, as counted by him, agrees with the depositor's statement, but also to recall the transactions of the day, if necessary, in case of an error.

The entries made in the Bank Pass-Book by the Ledger
Bank Pass-Book. Keeper are the depositor's vouchers for all sums left with the bank, on current account, and, therefore, nothing should be written in this book by the depositor himself. When a note or bill is left for collection, a pass-book may be handed with the note to the Bill Clerk, who will give a receipt for it, but the proceeds of the note will not be placed to the credit of the depositor or entered in the regular Bank Pass-Book until the note is collected.

Notes that have been discounted and ordered to be placed to the credit of the depositor are entered in the Bank Pass-Book, less the discount, the same as a note that has been collected. See "Discounting Notes and entries."

CHEQUES ON A BANK.

A Cheque is a Bill of Exchange drawn on a Bank, payable on demand.

Form.

STUB. No. 1,053. June 2nd, 1908. In favor of Geo. Ritchie & Co. <div style="text-align: right;">\$75.50.</div> in full of Account to date.	1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25 26 27 28 29 30 31 32 33 34 35 36 37 38 39 40 41 42 43 44 45 46 47 48 49 50 51 52 53 54 55 56 57 58 59 60 61 62 63 64 65 66 67 68 69 70 71 72 73 74 75 76 77 78 79 80 81 82 83 84 85 86 87 88 89 90 91 92 93 94 95 96 97 98 99 100	No. 1,053. Belleville, Ont., June 2nd, 1908. <div style="text-align: center;">‡ To the Canadian Bank of Commerce :</div> <div style="text-align: center;">(Belleville Branch.)</div> † Pay Messrs. Geo. Ritchie & Co., or order, Seventy-five 50/100 .....Dollars. <div style="text-align: right;">\$75.50 (In full of Account to date.)</div> <div style="text-align: right;">* ROBINSON & JOHNSON.</div>
--	--	---

*Drawer, †Payee, ‡Drawee.

Make Cheques only from your own Cheque Book, and never omit to number them (consecutively).

In the above example Robinson & Johnson have funds on deposit in the branch of the Bank of Commerce, at Belleville, and desiring to pay George Ritchie & Co., the amount of their account, give them a cheque for \$75.50. The cheque drawn as above **will serve as a receipt when it is paid and received back from the bank**, because it is payable to the order of the payee, names for what it was given, and must be endorsed by Geo. Ritchie & Co., before they can transfer it, or draw the money on it. If the cheque was made payable to bearer, it would not require to be indorsed, and would be payable to any one, and therefore could not serve as a receipt.

ACCEPTED CHEQUES.

On receiving a cheque from the drawer, the payee should present it at once to the bank for acceptance, and within a reasonable time for payment. The ledger keeper is the officer who accepts it, and the teller the one who pays it. If a cheque is issued undated, the holder may insert a date.

INDORSING CHEQUES.

A cheque payable to bearer is negotiated by delivery*; one payable to order is negotiated by indorsement and delivery. The safest way is to make cheques payable to order. See index for Indorsements. Do not indorse a cheque until you present it for payment, when you will indorse it in blank. If you transfer it, indorse it in full. If your name is mis-spelt indorse as it is written, then add your proper signature.

When drawing money from the bank to put in the till, it is usual to draw the cheque payable to "cash or bearer." It would not do to draw it payable to "cash or order," for cash could not indorse it.

*Banks sometimes require a cheque payable to bearer to be indorsed, but it is usually a cheque drawn on another Bank, not accepted or marked good. The indorsement will be security on the part of the indorser in the event of the Cheque being dishonored when presented at the Bank on which it is drawn.

Numbering Cheques. Number your cheques so that you may have the satisfaction of knowing that they have been returned; preserve them, consecutively numbered, in packages, so that you can produce them, to prove a payment, at any time.

THE BANK ACCOUNT.

Our experience as accountants and auditors has convinced us that it is always the better way to show dealings with a bank through a ledger account; transactions are more easily traced; and not only is there less liability to error, but there is diminished opportunity for fraud.

**Analysis of the
Bank Account.**

The debtor side of the Bank Account shows deposits, discounts and collections; the credit side, withdrawals (either by cheque or draft), and the notes and acceptances which you made payable at the bank, and which have been charged to your Account at maturity. If the Dr. side is the larger, the difference is the amount on deposit. if the Cr. side is the larger, the difference is the amount overdrawn. The Account closes either to or by balance.

Many bookkeepers keep the bank account solely in the Cash-Book. An example of the method will be found at pages 258 and 259. See also the form of a Bank's Deposit Ledger (continuous balance).

**Checking the
Bank Account.**

Leave your Pass-Book in the bank on the last day of each month to be balanced. About the 2nd or 3rd of the new month it will be handed to you (after you have signed an acknowledgment that the balance shown is right), together with the cheques, notes and acceptances that have been paid and charged to your Account up to the end of the previous month. You will sometimes find that the balance in the Bank Pass-Book and the balance in your book do not agree. In this event find what Cheques are missing by noting the numbers that are absent, refer to the corresponding stub numbers, and you will find (unless mistakes have been made) that the sum of the absent Cheques is the difference. The absent Cheques had not been presented for acceptance when the Pass-Book was made up; you have credited the Bank with them in your Ledger, but they had not then been charged by the Bank to your account; hence the discrepancy.*

**Keep Daily Track of
Your Bank Balance.**

It is a most unpleasant experience for a reputable business man, when he has given a check in good faith, to have it returned with the remark, "no funds," and possibly notarial charges to pay. Men who have no financial reputation to sustain "don't care," and frequently put persistent creditors off temporarily by drawing cheques which they know there are no funds to meet. A man who wants to know daily how his balance stands, and who cannot keep the bank account in the ledger posted closely, can keep track of the bank transactions on the back of the stubs of his cheques as follows;

*See illustration of reconciliation at page 233 with the subject of Auditing.

The balance this morning was \$920.70.

	\$100	\$57.20	\$60.30
Three cheques were issued to-day 129,	130,	131	

The proceeds of a note discounted amount to \$430.20.
A deposit was made to-day of \$600.

On the back of the stub of the last cheque issued write:

Balance over.....	\$ 920 70
-------------------	-----------

DEDUCT:

Cheques Nos. 129.....	\$100 00
130.....	57 20
131.....	60 30
	\$ 217 50
	\$ 703 20

ADD:

Proceeds of a Note discounted.....	\$430 20
Amount deposited.....	600 00
	\$1,030 20
Present balance.....	\$1,733 40

A man will not, unless he designs to do it, issue cheques for which there are no funds, if he attends accurately to this matter each day.

RATE OF EXCHANGE ON CHEQUES.

Cheques presented at any other branch of the bank than that in which the drawer's funds are on deposit are subject to a deduction for Exchange of (usually) $\frac{1}{4}$ of 1 %. You should, therefore, make your Cheque for the amount of the debt and the Exchange, if it is to be paid at another branch. If you keep a fair balance with your banker on current account, on which no interest is allowed, he may grant you the concession of marking your cheque payable at par at the branch where it will be presented for payment.

PRECAUTION AGAINST FRAUD.

Draw your Cheques so that they cannot be raised or altered. In the example given at page 250, you will observe that there is no unfilled space to the left of the written amount, and the fraction (or, if no fraction $\frac{00}{100}$) follows close up to it on the right. Neither on one side nor the other can any word be added. If you fail to observe such a precaution, and by your carelessness invite fraud, and it should succeed, you, not the bank, will be the loser. If the bank pays a forged Cheque, the bank will be the loser.

IDENTIFYING STRANGERS ON CHEQUES.

Take care, when identifying a payee on a Cheque or Draft to enable him to draw money, that you do not incur responsibility. For example: John Jones, whom you know, wants you to identify him on a Cheque or Draft payable to his order that has not been accepted. He indorses it; underneath his signature write, "Identified by," and sign your name. Doing this, you certify only that he is John Jones; but if you simply indorse your name under his, you would guarantee both the man and the money. He may say, "but I cannot get the money on personal identification only;" your reply would be, "well, let it be sent for collection; I decline to incur any responsibility beyond identifying you." You may not get up a reputation as an "obliging fellow," but you will have the satisfaction of knowing that you are safe.

CROSSED CHEQUES.

Crossed Cheques are not often seen in Canada or the United States, but they are largely in vogue in England, Ireland and Scotland. See instructions from an English firm to its customers below.

Customers are requested in future to cross all Cheques, Drafts, Money Orders and Postal Orders, thus:—

**The London & Southwestern Bank, Limited.
Erdmann & Schanz's Account.**

and to make them payable in London, or at Balham.

ERDMANN & SCHANZ,

116 Bedford Hill, Balham, S.W.

February, 1908.

The intention of the firm is that these instruments shall not be negotiable except through a bank.

1. Where a Cheque bears across its face an addition of:—

(a). The word "Bank" in two parallel transverse lines, either with or without the words "not negotiable," or

(b). Two parallel transverse lines simply, either with or without the words "not negotiable."

That addition constitutes a crossing and the Cheque is crossed generally.

2. Where a Cheque bears across its face an addition of the name of the bank either with or without the words "not negotiable," that addition constitutes a crossing, and the Cheque is crossed specially, and to that bank.

BOOKKEEPING ENTRIES FOR CHEQUES.

When you deposit in the Bank, you make the Bank Dr. to Cash. When you draw a Cheque, credit the Bank and debit the person to whom, or the account for which it has been issued. When you receive a Cheque, make Cash Dr. to the person from whom, or the account for which you receive it.

Cheques may be posted direct from the stubs to the ledger or they may be journalized or put through the cash-book, and from there posted to the ledger. It is not necessary to credit each Cheque singly. The Cheques issued in a day or a week or a month may be credited in one sum to the Bank account.

DEPOSIT SLIP

THE

Canadian Bank of Commerce

Credit.....

Deposited by.....

of.....190.....

×	1 =	
×	2 =	
×	4 =	
×	5 =	
×	10 =	
×	20 =	
×	50 =	
×	100 =	
Cheques	\$	
Coin	\$	

QUESTIONS FOR REVIEW—CHEQUES.

Give a definition of a cheque. Give a form. Name the parties to a cheque. How is a cheque drawn that it may serve as a receipt? What act of the payee would prove payment? Explain what is an accepted cheque. What officer of the bank accepts it? What officer of the bank pays it? How is a cheque payable to bearer negotiated? How is a cheque payable to order negotiated? When should you indorse a cheque? Why should cheques be numbered? How should cheques be preserved? Analyse the bank account. How should you cheque the bank account? If a discrepancy exists between the pass-book, when balanced, and your account, how do you find the cause? State a simple method of keeping daily track of your balance in bank. What is the rate of exchange charged on cheques? When is it charged? Cheques payable at par at another branch, explain. How will you take precaution against fraud? How would you identify a payee? What are crossed cheques? Give journal entries for cheques. Put cheques through the cash-book. How may the Bank Account be kept only in the Cash-Book?

***BANK DRAFT.**

No. 412

\$500.00.

Bank of.....

MONTREAL, Que., June 3, 1908.

On demand, for value received, pay to the order of Robinson & Johnson, five hundred dollars, which charge, with or without advice, to this Bank.

JAMES HUGHES, Manager.

JOHN D. SMITH, Accountant.

To the Bank of Massachusetts,
Boston, Mass.

Deposit Receipts are given by banks to those who deposit for a specific time or on so many days' notice of withdrawal, the deposit to bear interest, usually at 3 %. They may be drawn to the order of the depositor, or to any other person whom he may designate. When the whole or a portion of the deposit is withdrawn, the Deposit Receipt must be brought to the bank.

Drafts and Bills of Exchange for making remittances can be obtained from the bank.

**Collections and
Discounts.**

Notes and Bills for collection should be sent to the bank a few days before they come due, in order to give the Bill Clerk ample time to make the proper record and send notices to the makers or acceptors. A cheque that is drawn on a different bank from that in which the note is left for collection, unless certified, will not be received in payment for a note in bank.

Notes taken to a bank to be discounted are presented to the manager, who decides whether they shall be discounted or not. In general, notes that are not within three months of maturity are not discounted; and there must be, for additional security, at least one name on the Note besides the maker, either as joint maker or indorser. As a rule, banks discount only for depositors, and there must be satisfactory security that the Notes discounted will be paid when due, either by their having satisfactory indorsers, or being accompanied by collaterals.

In order to get a Note discounted at a bank it must be properly indorsed with pen and ink, and the residence of the maker and indorser should be written on the Note in pencil. It is well to offer Notes at an early day so that other sources may be applied to in case the Notes are refused by the bank. The chances for discount will usually depend upon the average amount kept on deposit, the reliability and standing of the names on the Notes that are offered, and the state of the money market.

Do not attempt to overdraw your account, and do not offer for discount Notes that are not likely to be punctually paid at maturity; and should any that have been discounted be protested and returned to you, for your own credit, pay them immediately.

*See Index: "Remitting by the medium of a Bank Draft," (and Entries.)

In case a Draft or customer's Note is handed in to the bank for collection, and you entertain doubts of its being paid at maturity, and do not wish the extra cost of protest charges incurred (there being no third party to hold liable), pin a slip of paper to it with the memorandum, "NOT TO BE PROTESTED. TAKE THIS OFF BEFORE PRESENTING." The bank will follow your instructions, and should the Note or Draft not be paid, you can get it from the bank at any time without paying charges.

A note indorsed requires to be presented at the proper time for payment, and, if dishonored, it should be protested, and the indorser promptly notified, in order that he may be held for the amount. Sometimes, however, an arrangement is made between the parties, and the indorser writes on the back of the Note, "Notice of non-payment received without Protest," or, "Protest waived," or, "Presentation and Protest waived," and signs his name, after which he is held the same as though the Note had been protested. The form used by the Bank of Montreal is, "Presentment, Protest and Notice waived." See Index for Protests.

The holder of a Note is not bound to notify the maker of the date of maturity, and request him to make provision for payment; but it is customary for firms to send such a printed notice ten days or so before Notes mature, so that careless customers will not have the excuse, "Oh, I forgot about it."

The banks, when in doubt about the genuineness of a signature, now notify makers and indorsers of Notes which they have discounted that they hold such paper.

Clearing House. Each day there accumulates in the banks the currency and the notes and drafts of other banks, and daily settlements must be made. In the absence of a Clearing House Association, these settlements would involve the labor and time of many clerks passing from bank to bank to make a separate settlement with each one. When a Clearing House exists, the business of each day's settlements is conducted as follows: A manager is appointed by each of the banks in turn (or he may be a permanent officer appointed and paid by the associated banks), and every morning a clerk and a messenger from each bank attends at the Clearing House at 10 o'clock, to deliver to and receive from each other the cheques, drafts and notes which are payable by each to the other, these being made up in packages. At the same time a statement will be handed from each bank to the manager, showing the amount due by or to each bank, to or from each other bank. About noon the representatives of the different banks will pay to or receive from the Clearing House the amount in gold or legal tender so appearing due.

The sum of the amounts owing to the Clearing House will just equal the sum of the amounts owing by the Clearing House, so that there is a perfect balancing of each day's business; hence the term "clearing."

Some idea of the convenience of the Clearing House can be formed from the statement made by Jevons regarding the London Clearing House. He says: "The average daily transactions in the London Bankers' Clearing House amount to about twenty million of pounds sterling, which if paid in gold coin would weigh about 157 tons, and would require nearly eighty horses for conveyance." In the New York Clearing House, on a day in June 1907, the writer saw the Clearings of the New York City Banks, for one day amounting in the aggregate (not the balances) to two hundred and eighty-five millions of dollars, effected in less than an hour.

L NO. 1.

PROVINCE OF ONTARIO. DEBENTURE OF THE CITY OF BELLEVILLE.

\$1,000

Under the authority of the Acts of the Legislature of the Province of Ontario, and in accordance with the Provisions of By-Law No. 462, of the Corporation of the City of Belleville, the said The Corporation of the City of Belleville promise to pay the Bearer, at the Bank of Montreal, in the City of Belleville, aforesaid, the sum of one thousand dollars of lawful money of Canada, on the sixteenth day of May, Nineteen Hundred and Eighteen, and will also pay the Coupons hereunto attached, as the same shall severally become due.

*In testimony whereof, the Mayor of the said City has signed }
and sealed, and the Treasurer thereof has countersigned these presents }*

J. W. JOHNSON,
Mayor, City of Belleville.

J. P. THOMPSON,
Treasurer, City of Belleville.

PROVINCE OF ONTARIO.

The corporation of the City of Belleville will pay the Bearer at the Bank of Montreal at Belleville, Twenty Dollars, for one-half year's interest on Debenture L. No. 1, Coupon No. 28, on the Sixteenth day of November, 1913. *Treasurer. Mayor.*

PROVINCE OF ONTARIO.

The corporation of the City of Belleville will pay the Bearer at the Bank of Montreal at Belleville, Twenty Dollars, for one-half year's interest on Debenture L. No. 1, Coupon No. 31, on the Sixteenth day of May, 1915. *Treasurer. Mayor.*

PROVINCE OF ONTARIO.

The corporation of the City of Belleville will pay the Bearer at the Bank of Montreal at Belleville, Twenty Dollars, for one-half year's interest on Debenture L. No. 1, Coupon No. 34, on the Sixteenth day of November, 1916. *Treasurer. Mayor.*

PROVINCE OF ONTARIO.

The corporation of the City of Belleville will pay the Bearer at the Bank of Montreal at Belleville, Twenty Dollars, for one-half year's interest on Debenture L. No. 1, Coupon No. 37, on the Sixteenth day of May, 1918. *Treasurer. Mayor.*

PROVINCE OF ONTARIO.

The corporation of the City of Belleville will pay the Bearer at the Bank of Montreal at Belleville, Twenty Dollars, for one-half year's interest on Debenture L. No. 1, Coupon No. 27, on the Sixteenth day of May, 1913. *Treasurer. Mayor.*

PROVINCE OF ONTARIO.

The corporation of the City of Belleville will pay the Bearer at the Bank of Montreal at Belleville, Twenty Dollars, for one-half year's interest on Debenture L. No. 1, Coupon No. 30, on the Sixteenth day of November, 1914. *Treasurer. Mayor.*

PROVINCE OF ONTARIO.

The corporation of the City of Belleville will pay the Bearer at the Bank of Montreal at Belleville, Twenty Dollars, for one-half year's interest on Debenture L. No. 1, Coupon No. 33, on the Sixteenth day of May, 1916. *Treasurer. Mayor.*

PROVINCE OF ONTARIO.

The corporation of the City of Belleville will pay the Bearer at the Bank of Montreal at Belleville, Twenty Dollars, for one-half year's interest on Debenture L. No. 1, Coupon No. 36, on the Sixteenth day of November, 1917. *Treasurer. Mayor.*

PROVINCE OF ONTARIO.

The corporation of the City of Belleville will pay the Bearer at the Bank of Montreal at Belleville, Twenty Dollars, for one-half year's interest on Debenture L. No. 1, Coupon No. 26, on the Sixteenth day of November, 1912. *Treasurer. Mayor.*

PROVINCE OF ONTARIO.

The corporation of the City of Belleville will pay the Bearer at the Bank of Montreal at Belleville, Twenty Dollars, for one-half year's interest on Debenture L. No. 1, Coupon No. 29, on the Sixteenth day of May, 1914. *Treasurer. Mayor.*

PROVINCE OF ONTARIO.

The corporation of the City of Belleville will pay the Bearer at the Bank of Montreal at Belleville, Twenty Dollars, for one-half year's interest on Debenture L. No. 1, Coupon No. 32, on the Sixteenth day of November, 1915. *Treasurer. Mayor.*

PROVINCE OF ONTARIO.

The corporation of the City of Belleville will pay the Bearer at the Bank of Montreal at Belleville, Twenty Dollars, for one-half year's interest on Debenture L. No. 1, Coupon No. 35, on the Sixteenth day of May, 1917. *Treasurer. Mayor.*

Twenty-eight more coupons similar to those should follow.
Debentures (or Bonds) are securities upon which Governments, Municipalities and Incorporated Companies (that have the power) borrow money for long periods. This is one debenture of an issue of say \$100,000. Refer to pages 176 and 177 for further explanations.

In this Cash Book the Method of Cash Book Only

DR. CASH.

BELLEVILLE

Date.	FROM WHOM RECEIVED.	STREET.	Reg. No.	HOW RATED.					Reference No.	Total Amount.
				Flat.	Lawn.	Meter.	Meter Rent.	S'dries.		
1907										
J'y	3 Judge Fraleck,	Moir	649	9 50					22	9 50
	9 Rev. D. Bogert,	W. Bridge	188	9 50					27	9 50
	" L. R. Terwilligar,	Moir	98	7 50					8	7 50
	" S. J. Wedden,	N. Front	64		6 00				11	6 00
	" D. McLean,	Alexander	75		6 00				17	6 00
	" Bank of Commerce,	Front	25	11 50					37	11 50
	" R. Tannahill,	George	180	9 50					6	9 50
	" Norris Bros.,	(Show)	S					2 50	253	2 50
	" D. Graham,	Charles	606		6 00				14	6 00
	10 D. Coyle,	Front	684			29 30	50		1	29 80
	" R. J. Graham,	"	724			49 50	1 00		17	50 50
	" Geo. Ritchie & Co.,	"	52			36 54			24	36 54
	" Trenton Electric Co.,							26 27	39	26 27
	" W. J. Andrews,	Coleman	60	10 00					16	10 00
	16 G. T. R.,		462	50					23	462 50
	" G. T. R. (Extra),					576 78			23	576 78
	27 D. & D. Institute,		450						16	450 00
	30 John Smith,	Dundas	42	20 00					13	20 90
				990	18 00	692 12	1 50	28 77		1730 39
Aug	1 Balance in Bank,	1114.03								
	1 " on hand.	3.99								

ADVANCED ACCOUNTING AND GENERAL COMMERCIAL KNOWLEDGE.

One of the features of "The Canadian Accountant" which has given it popularity among practical business men, bankers and accountants, and which distinguishes it from the ordinary school or college text-book on bookkeeping, is the vast amount of practical office work and the every-day information on business matters which it contains. In the present and recent editions this element has received large and valuable additions, not only in the matter that follows here, but, as well, in many other portions of the book.

WHAT TO DO WHEN TAKING CHARGE OF A SET OF BOOKS.

When you take charge of a set of books, first test the cash and see that the cash on hand agrees with the cash balance in the cash book; then ascertain whether the bills receivable on hand agree with the balance shown in that account in the ledger, and with the uncanceled bills in the bill book. If the books are kept on the double entry system, test by trial balance whether the ledger is in balance.

OPENING LEDGERS UNDER VARIOUS CIRCUMSTANCES.

JOURNALIZING RESOURCES AND LIABILITIES FOR SINGLE PROPRIETOR.

When a single proprietor commences business, possessed of certain resources, the Journal entry necessary to open the Ledger is

SUNDRIES (the accounts representing each resource) *Dr.*
To CAPITAL (or the proprietor's name).

If he has debts or liabilities, as well as resources, they must be shown in the Ledger also, consequently a Journal entry would require to be made for them as follows:—

CAPITAL (or the proprietor's name) *Dr.*
To SUNDRIES (the accounts representing each liability).

When the foregoing entries have been posted to the Ledger, you will show on the *Dr.* side each resource under its own title, and on the *Cr.* side each liability under its own title, and the difference between the two sides of the Capital account will show the net capital at starting.

*JOURNALIZING RESOURCES AND LIABILITIES AT THE FORMATION OF A
PARTNERSHIP TO OPEN THE ACCOUNTS.

When two or more partners come together for the first time, each bringing in resources and liabilities, you will make the resources which each brings in *Dr.* to his Capital acct., and make each one's Capital acct. *Dr.* to his liabilities. For example:—

Cash	<i>Dr.</i>	\$1500.00	
Bills Receivable	"	750.00	
Real Estate	"	1000.00	
To J. W. Neal Cap. acct.			\$3250.00
Effects invested.			
J. W. Neal Cap. acct.	<i>Dr.</i>	\$ 900.00	
To J. Runciman,			150.00
" Bills Payable,			750.00
His liabilities assumed by the partnership.			
Cash	<i>Dr.</i>	\$2000.00	
Merchandise	"	1000.00	
M. MacCormick	"	89.00	
To John L. Kerr Cap. acct.			\$3089.00
Effects invested.			
John L. Kerr Cap. acct.	<i>Dr.</i>	\$ 425.00	
To Bills Payable,			250.00
" Andrew Shaw,			175.00
His liabilities assumed by the partnership.			

NOTE.—If no day book entry has been made, full explanations should accompany each entry in the Journal.

The resources and liabilities of each now become the resources and liabilities of the partnership, the individual partner's account showing each one's capital or insolvency. A PARTNERSHIP CANNOT HAVE AN ACCOUNT WITH ITSELF.

JOURNALIZING TO OPEN NEW ACCOUNTS FOR A PREVIOUSLY EXISTING
PARTNERSHIP.

An accountant is frequently called upon to open a new set of accounts for a previously existing partnership, owing to confusion caused by bad book-keeping, or similar cause. The data from which it is to be done will be a balance sheet or statement, showing the firm's resources and liabilities, and the amount of the capital or insolvency of each partner.

The student will observe that it would not be possible to journalize in this case the same way as when partners come together for the first time, because you cannot say that any particular resource or liability is that of any one partner. We suggest either of the following methods:

Assets *Dr.* to Liabilities.

(<i>Assets.</i>)			
Cash.....	<i>Dr.</i>	\$	570.20
Merchandise.....	".....		4220.00
Bills Receivable....	".....		1500.00
John Macoun.....	".....		78.20
J. W. London.....	".....		57.50
R. A. VanAllan....	".....		125.90
			\$6551.80

NOTE.—When posting, debit each Resource to Sundries, and credit each Liability by Sundries.

The sum of the Assets equals the sum of the Liabilities and Capital, or the Liabilities to the public and the proprietors.

* Ask yourself the question, On what side of the Ledger must assets be shown and on what side must liabilities be shown?

(Liabilities.)

To Bills Payable.....	\$1570.00
“ J. H. Watlington.....	340.00
“ F. Macaulay.....	170.00
“ Joseph Elliott.....	58.50
	<hr/> \$2138.50
“ (Partner) Jas. Johnson, Capital.....	2100.00
“ (Partner) W. H. Fuller “.....	2313.30

ANOTHER METHOD.

Sundries *Dr.* to Capital.....\$6551 80

(Resources.)

Cash.....	\$ 570.20
Merchandise.....	4220.00
Bills Receivable.....	1500.00
John Macoun.....	78.20
J. W. London.....	57.50
R. A. Van Allan.....	125.90

Capital *Dr.* to Sundries..... 6551 80

(Liabilities.)

Bills Payable.....	\$1570.00
J. H. Watlington.....	340.00
F. Macaulay.....	170.00
Joseph Elliott.....	58.50
	<hr/> \$2138.50
(Partner) James Johnson, Capital.....	2100.00
(Partner) W. H. Fuller “.....	2313.30

NOTE.—If preferred, Capital might be made *Dr.* to the partners in a separate entry.

When either of these entries has been posted to the Ledger, you will show on the *Dr.* side each resource under its own title, on the *Cr.* side each liability under its own title, and on the *Cr.* side of each partner's account the amount of his capital. You will observe that the “Capital Account” in the last example is simply used as a medium through which the other accounts are opened.

Suppose that some time after the books were opened you found an additional asset that had not been taken in. It is a note of \$300 that was overlooked, make

Bills Receivable.....	\$ 300 00	
To Jas. Johnson's Capital account.....		\$ 150 00
“ W. H. Fuller's “ “.....		150 00

Suppose that a liability had been overlooked; it is a debt of \$370.00 owing to James Ross & Co., make

Jas. Johnson's Capital account.....	\$ 185 00
W. H. Fuller's “ “.....	185 00
To Jas. Ross & Co.....	\$ 370 00

Suppose you find that an invoice of \$260.00 had not been credited to the W. J. Gage Co., make a similar entry to the last. You would not make Merchandise account *Dr.* to the W. J. Gage Co., but each partner, because merchandise has been charged in the new account with the value of the goods on hand.

The conversion of a partnership into a Joint Stock Company is practically illustrated at pages 159 to 162.

WHAT IS BEST FOR AN ACCOUNTANT TO DO WHEN ONLY MEMORANDA HAVE BEEN KEPT OF THE TRANSACTIONS OF A BUSINESS.

When an accountant is required to arrive at the results of a business where only memoranda have been kept of the transactions, his best plan is to write up a set of books from the data furnished. He should write up a cash-book and journal, and having determined, as far as is possible, that all transactions have been dealt with, he should post to the ledger and take off a balance sheet, including a statement of resources and liabilities and of losses and gains.

PROPRIETOR'S OR PARTNER'S CAPITAL ACCOUNT, AND DRAWING (OR PRIVATE) ACCOUNT.

It is often desirable to keep the Capital account of a proprietor or partners distinct from the account showing their withdrawals for family and other personal expenses, or against salary. In that case open, say, J. W. Johnson's Capital account and J. W. Johnson's Drawing (or Private) account. The former will show the investments and the latter the withdrawals. At the end of the business year close the Drawing account with this journal entry:

J. W. Johnson's Capital Account, Dr.

To J. W. Johnson's Drawing Account.

(For amount withdrawn during the year transferred.)

If the proprietors are allowed a certain salary, then credit each one's Drawing account at the end of the year, by Salary or Expense; and if the individual has overdrawn his account, he should pay back the overdraft in cash, which would be passed to his credit.

TRANSFERRING ACCOUNTS FROM AN OLD LEDGER TO A NEW ONE.

When transferring accounts from an old Ledger to a new one, proceed as follows: Call the old Ledger, Ledger A, and in the accounts which show a debit balance, write on the credit side, By Balance to Ledger B, Folio—, and rule and foot it; and in the accounts which show a credit balance, write on the debtor side, to Balance to Ledger B, Folio—, and rule and foot it. Call the new Ledger, Ledger B; write in a bold hand the names of the accounts as you transfer them; on the debtor side of those that closed in Ledger A, By Balance, write To Balance from Ledger A, Folio—; and on the credit side of those that closed in Ledger A, To Balance, write By Balance from Ledger A, Folio—. Immediately after transferring an account, index it. The best time to make such a transfer is when the annual closing time comes round; you will then only need to transfer the Resources and Liabilities and Partners' accounts. You will open new representative accounts as required. There is very little more labor in transferring balances to a new Ledger than bringing them down in an old one.

See page 36 for illustration of the method of transferring an account from one page of the same Ledger to another page.

Imprest System of Keeping Petty Cash.

In almost all offices many small payments of cash have to be made daily. It is not well to burden the Cash-Book with multitudinous details, and in order to avoid this a junior member of the office staff is entrusted with the duty of making, and recording in a Petty Cash-Book, these minor disbursements. The mode of operation is as follows :

Say that a probable expenditure in this way will run about \$30 a month. The Accountant will draw a cheque for that amount and hand it to the junior. The Accountant will make a journal entry,

Petty Cash	Dr.	\$30.00
To Bank		\$30.00
For Check No.—		

The Junior will have a

PETTY CASH-BOOK

ruled as on page 265. He will charge the \$30.00 received on the Dr. side, as in example, and Cr. the payments as he makes them, as in examples. On the last day of the month (10th in example) he finds that he has spent \$28.45 and receives a cheque from the Accountant for that sum, which leaves him possessed again with \$30.00 to begin the new month. For this cheque the Accountant makes a journal entry.

Petty Cash	Dr.	\$28.45
To Bank		\$28.45
For Cheque No.—		

In addition to crediting the payments in the Petty Cash-Book, the Junior will distribute them to the special columns, as in examples, and when he has balanced and footed the several columns at the end of the month he will give a summary, as in example, from which the Accountant will make this journal entry,

Expense	Dr.	\$11.30
Express	"	1.25
Advertising	"	8.00
Travelling Expenses	"	4.00
Freight and Cartage	"	3.90
To Petty Cash		\$28.45

The Petty Cash account in the ledger will now be as follows :

Dr.		Petty Cash	Cr.
To Bank	\$30.00	By Sundries	\$28.45
" do	28.45		

At the beginning of each month the balance of this account will correspond with the sum with which the Junior starts his Petty Cash-Book.

IMPREST SYSTEM FOR PETTY CASH-BOOK.

Page 1.

Cash Recd.	Date.	PARTICULARS.	Cash Paid.	Expense.	Express.	Advertising.	Travelling Expenses.	Frgt. & Cartage.	REMARKS.
30 00	1908 Nov. 1	To Accountant.....							
	" 2	By Stamps.....	5 00						
	" "	" Canadian Express Co.....	1 25						
	" 3	" Calendars, A. T. Cherry.....	7 00			7 00			
	" 4	" Scrubbing.....	2 00	2 00					
	" 5	" Return Ticket to Picton	3 50	3 50			3 50		
	" 6	" Stamps.....	4 00	4 00					
	" 7	" Cartage, R. Soles.....	3 90					3 90	
	" 8	" Cab Fare.....	50				50		
	" 9	" Nails and Hinges.....	30	30					
	" 10	" Distributing Bills.....	1 00		1 00				
28 45	" 10	To Accountant.....							
		By Balance	30 00						
58 45			58 45	11 30	1 25	8 00	4 00	3 90	
		<i>Abstract for Cashier.</i>							
		Charge Expense, \$11.30							
		" Express, 1.25							
		" Advertising, 8.00							
		" Travelling Expense, 4.00							
		" Frgt. and Cartage, 3.90							
		\$28.45							

Page 2.

Cash Recd.	Date.	PARTICULARS.	Cash Paid.	Expense.	Express.	Adver- tising.	Travelling Expenses.	Frgt. & Carriage.	REMARKS.
30 00	1908 Nov. 11	To Balance on hand.							

Marking Cost and Retail Price on Goods.

In such a business as Dry Goods and Hardware the *Cost* price, as well as the retail price, should be marked on each piece of goods. The principal object in view in marking the cost price is, that when an Inventory of Stock is being taken you may know what each piece of goods cost.

Some merchants mark the retail price in plain figures and the cost in letters; others mark the former in letters and the latter in characters. The following will illustrate the method of marking goods :

COST MARK.

1	2	3	4	5	6	7	8	9	10	11	12	cipher.	repeater.	adds ten.
<i>V</i>	<i>O</i>	<i>\</i>	<i>U</i>	<i>o</i>	<i>V</i>	<i>U</i>	<i>U</i>	<i>N</i>	<i>U</i>	<i>U</i>	<i>U</i>	<i>X</i>	<i>o</i>	<i>—</i>

RETAIL MARK.

1	2	3	4	5	6	7	8	9	10	cipher.	repeater.
d	o	n	t	g	i	v	e	u	p	x	z

EXAMPLE.

Suppose goods cost \$6 a dozen, and you intend to retail them at an advance of 50 per cent., mark the cost by the character representing 6 (which is *V*), and follow it with the character representing the cipher, and follow this with the repeater; then mark the retail price for the single article directly under the cost; in this case the price would be 75c., which would be written, .vg. Then the goods would be marked thus :

V.Xo
.vg

To sell at an advance of 50% over the cost price, results in a profit of $33\frac{1}{3}\%$ of the sales. In the above example the goods cost \$6.00, you sell at \$9.00, which is 50% advance, but of the \$9.00 that you receive only \$3.00 is profit, or $\frac{1}{3}$.

ANOTHER METHOD OF DEALING WITH INVOICES AND INVENTORIES.

The keen competition in buying and selling among the large establishments in such trades as dry goods, and the necessity it has created for absolute secrecy from employees (who easily pass from one establishment to another) of the sources of production or purchase and of the cost of merchandise, have brought about a change in the method of dealing with invoices and in the marking of goods. Such importing houses have a domestic invoice book and a foreign invoice book, into which the domestic and foreign invoices are respectively copied in detail.

Instead of the name of the firm from whom the goods were purchased, there is placed over each invoice a number, and on the left-hand margin there are line numbers given to each item, beginning with the figure 1 on domestic goods and 01 on imported goods. In a book altogether separate from the invoice book, an index to the invoice numbers is kept, which shows the names of the firms from whom the goods were purchased, to which only the heads of departments have access. The original invoices are filed. When goods arrive and are being marked off, the selling price alone, in plain figures, is placed upon them, and instead of the cost price, the invoice number and line number are given. Where the above method is pursued, it is customary, when taking an inventory of stock, to take the goods down at the selling price, and deduct from it such a percentage in bulk as will reduce the figures to the cost price.

As establishments of this kind usually put a uniform advance over the cost for the selling price, it will be seen that this mode of taking the inventory is quite correct. For example, from goods upon which an advance of 50 per cent. was marked over the cost for the retail price, $33\frac{1}{3}$ per cent. would be deducted from the retail price to bring them down to cost; from goods upon which an advance of $33\frac{1}{3}$ per cent. was marked over the cost for the retail price, 25 per cent. would be deducted to bring them down to cost, and so on; from goods that had depreciated, an additional discount would be deducted. An article that cost \$6 marked at an advance of 50 per cent. would sell at \$9; from the \$9 at stock-taking deduct $33\frac{1}{3}$ per cent. and you reduce it to cost. An article that cost \$6, marked at an advance of $33\frac{1}{3}$ per cent., would sell at \$8; from the \$8 at stock-taking deduct 25 per cent., and you reduce it to cost.

TRADE AND CASH DISCOUNTS.

A **TRADE DISCOUNT** is a discount off a nominal list price, as, for instance, hardware manufacturers or dealers quote the prices of some goods at, say, \$9 a dozen and 25 per cent. off; the real price being \$6.75. When they desire to raise the price of particular lines of goods they don't alter the list or nominal price, but lower the discount; and if they desire to lower the price they raise the discount. See form of invoice, page 63. Sometimes discounts such as 10 and 10 and 5 are allowed. This, it will be seen, is less than 25 per cent. off the face of the invoice.

A **CASH DISCOUNT** is an allowance made for the prompt payment of goods (called spot cash), instead of a term of credit being taken. It will be well to bear in mind that when paying duty on importations, the Customs authorities will not allow any deduction of duty from the face of an invoice for Cash Discounts.

A Different Mode of Treating Merchandise Account.

The Analysis of Merchandise account made at page 20 represents the ordinary view of the use of that account, which is: that the debit side shows inventory of goods on hand at the beginning of the business year and the cost of goods purchased within the year (including freight and cartage and duty, as well as invoice); that the credit side shows the sales during the year and the inventory of goods unsold at the end of the year; and that the difference between the two sides shows the gain or loss on selling goods, a gain if the credit side is in excess, a loss if the debit side is in excess.

The majority of merchants will probably remain content with the above method of "getting at" the profit or loss made in buying and selling goods, as the net result is thereby definitely and accurately ascertained. In large concerns, however, it is desirable to know the percentage of profit on sales, and as it is customary in the method of keeping the Merchandise account, mentioned above, to charge goods returned and credit goods sent back to the Merchandise account, it will be seen that both sides of that account may be swelled by figures that are neither purchases nor sales.

To eliminate these items from the Merchandise account, it is the custom now in some large mercantile houses to pursue the following method:

Bring down on the debit side of Merchandise account the balance (inventory) of goods on hand, but during the currency of the year charge to a "Purchase account" what is usually charged to the Merchandise account, and credit to Purchase account goods returned by us.

Credit to a "Sales account" what is usually credited to the Merchandise account and charge to Sales account goods returned to us: the difference between the two sides of "Purchase account" would, at the end of the business year, be closed into Merchandise account, the figures showing the cost of goods less returns by us: the difference between the two sides of "Sales account" would also, at the end of the business year, be closed into Merchandise account, the figures showing the sales of goods less returns to us:

ILLUSTRATIONS.

<i>Merchandise Account.</i>	
<i>Dr.</i>	<i>Cr.</i>
To Balance (Inventory).....	By Sales, from Sales account....
" Purchases from Purchase	" Balance (Inventory).....
account.....	
" Loss and Gain, for net	
profit on sales.....	
<u>\$203,700.00</u>	<u>\$203,700.00</u>
To Balance (Inventory).....	

<i>Purchase Account.</i>			
Total purchases for the year	\$120,000.00	Returns for the year.....	\$ 3,700.00
		By Balance, being net purchases carried to Merchandise account	116,300.00
	<u>\$120,000.00</u>		<u>\$120,000.00</u>
<i>Sales Account.</i>			
Returns for the year.....	\$ 7,300.00	Total sales for the year.....	\$178,000.00
To Balance, being net sales, carried to Merchandise account	170,700.00		
	<u>\$178,000.00</u>		<u>\$178,000.00</u>

The Merchandise account shows a profit of \$34,400 on sales to the amount of \$170,700, equivalent to 20 15-100 per cent.

MERCHANDISE SENT ON CONSIGNMENT.

It is a common practice to credit the Merchandise account when goods are sent on consignment. See pages 77 to 79 and 116 to 117. We have seen objections made to this plan, on the ground that Merchandise account is thereby credited with sales that have not taken place. The objection would be relevant if the goods consigned were credited at a price over the cost; a profit that might never be realised would in that case be anticipated. The Special account to which they are charged simply takes the place of Merchandise account so far as the particular lot of goods sent on consignment is concerned, and it shows the result of the venture when the consignment is disposed of, the account sales received, and the net proceeds credited. The goods sent on consignment were already charged to Merchandise, and if they have gone out, that account should be credited with their cost. In ascertaining the percentage of profit on sales of merchandise at the end of the business year it is easy to obtain from the Ledger the sum total of consignments credited to Merchandise account, and for the purpose in view deduct it from the total amount at the credit of Merchandise.

*AVOIDING, DISCOVERING AND CORRECTING ERRORS.

When posting to the Ledger, if you make plain, legible figures and place them within the proper lines of the column, so that units will be under units, tens under tens, hundreds under hundreds, and so on, and when they are made you compare them by a glance of the eye with those in the book you are posting from, and consider for a second whether they are on the right side of the Ledger and in the proper account, you will avoid errors. If to this careful mode of posting you add accuracy in addition, by *always* adding columns of figures both up and down before setting the result down in ink, you will have taken almost all possible precaution against making mistakes. As, however, the most careful person will make a slip occasionally, it is well to know the best method of discovering errors and of correcting them.

If every addition has been verified by adding both up and down, one may safely conclude that the error or errors cannot be in the additions, and this

* See also pages 52 and 53.

knowledge gives confidence that the mistakes will soon be found by checking the postings. By experience we have found the following method of adding the best:

594327	23	✓	The result of the addition of each line is set down,
830560	28	✓	so that if the adder is disturbed, or if he finds a
734251	38	✓	mistake when checking down, say in the fifth row
953872	22	✓	of figures, he requires only to add that one line
642501	28	✓	again, instead of all the lines from the first. The
724956	47	✓	✓ mark shows the verification, <i>i. e.</i> , that each line
302416			has been added twice. The result of the addition
			in the example is 4782883. Faint blue lines ruled
			in the Ledger between the red lines of the dollar
			column will prevent units being placed under tens,
			tens under hundreds, and so on, and much trouble
			be thereby avoided. The same precaution in rul-
			ing should be taken with the trial balance.

In the majority of offices a trial balance of the Ledger is taken monthly, or at least every three months. To the novice in bookkeeping the work involved in taking a trial balance of a Ledger containing from five hundred to a thousand or more accounts, twelve times in the year, would be appalling. It would be a laborious task even for the man of long experience and habitual accuracy, if there were no labor-saving methods. Trial balance Books, ruled and arranged so that the names of the accounts have to be written only once in the year, having twelve separate columns, one for each month, can be obtained from any first-class stationer.

FORM OF MONTHLY TRIAL BALANCE BOOK.

Fol.	ACCOUNTS.	January				February				March			
		Dr.		Cr.		Dr.		Cr.		Dr.		Cr.	
50	W. H. Marsh	1428	50	6974	90	230				146			
51	S. W. Manner	2130		8768		475				239			
52	Cash	4760		1278		2460	46	1450		1268	40	1174	80
53	Merchandise	9764		3548		1342	50	3296	48	2164	80	2436	90
54	Bills Receivable	8240		6400		2460	25	1720	25	175			
54	Bills Payable	1240		1560				465		246	20	1240	
55	George Brown	1850		840		574		248					
55	S. R. Smith	200		100		268						158	
56	L. B. Lent	1200		1360		743	40	176				248	70
57	S. O. Hess	1400		1760						175			
58	G. A. Arner	1250		1050		349	36					230	60
58	Interest	18		21	60	26		46	30	10		5	60
59	Expense	180				38				47	60		
	<i>January</i>	33660	50	33660	50								
60	R. W. Post					10							
61	Commission							156	30			20	40
62	Loss and Gain							276	40	146	30		
63	F. Rimmer							1142	24	946	28	234	60
	<i>February</i>					8976	97	8976	97				
64	Peter Huff									200		100	
65	James Stanley									596	70		
66	Robert Gordon											511	68
	<i>March</i>									6361	28	6361	28

This Monthly Trial Balance Book shows balances for three separate months on one page. The opposite page would contain three months more, and if each alternate sheet in the book be left untouched as you proceed, and a piece cut down on the right the width of the space that the names of the accounts occupy, you have simply to continue the balances for the last six months on these. Books containing this simple device are patented in Canada and the United States.

Taking a trial balance each month in this way, if a ledger is found out of balance, a month's checking is a comparatively trifling labor. Think for a moment of the difference between it and the work involved in checking eleven or twelve months' posting.

Many suggestions are made with regard to locating mistakes or detecting errors; few of them amount to anything. Perfect accuracy in addition by the method we have mentioned leaves the bookkeeper, in the event of the ledger being out of balance, just one thing to do, namely, to check back the postings. This must be done systematically. After proving that the balances brought down from the previous year are in balance, then take each book in turn from which the postings to the Ledger were made, and check each entry, placing a ✓ mark (to the left of the figures) against each separate entry in the book posted from and the one posted to. Do this with a hard black lead pencil, not in the column with the figures, but just on the red line between the figure column and the folio column. The marks made by a hard lead pencil can be easily erased, if this is desirable. If they are allowed to remain, being out of the figure column, they will cause no confusion or slovenliness. You should soon discover the errors by this process. Should they not be found, cast your eyes carefully down the columns of each ledger account, and if you find an entry without a check mark, then you have discovered an entry that has been by mistake posted twice or that has been stuck into the Ledger without proper origin. Omitting the check marks, this would not have been so easily found.

The placing of amounts in the wrong column of a Trial Balance is a mistake frequently made. Say you are \$14.20 out of balance; divide that amount by 2, hunt for \$7.10, and you may find that sum in the Dr. column when it should be in the Cr. column. Carelessness in placing units in the tens column, tens in the hundreds column and so on, is another common cause of trouble in trial balances; and so also is the placing of one figure on top of another to correct a mistake instead of erasing the wrong figure and placing the proper one on a clean surface.

THE CORRECTION OF ERRORS.

In correcting errors in the regular books, it is not proper to attempt to make matters come out right by writing "To Error," or "By Error," as you are directed to do in the old school text books. You must make the correction explain itself by a distinct reference to where the error exists, and at the place where the error is made, note the date and place of correction. Thus, if you have journalized any entry wrongly, and have discovered it before posting,

write on the margin of the entry, "VOID, CORRECTED PAGE—," and preface your new entry with, "To rectify error, page—." For obvious reasons there are very strong objections to tearing out leaves, or erasing either figures or writing from any book, particularly those of original entry; suspicion of wrongdoing may be created thereby. If a posting be made to a wrong account or to the wrong side of an account in the Ledger, and the account is not footed, there can be no great objection to erasing the figures in the money column and replacing them with ciphers, allowing the date and other words of the entry to remain. Let the amount then be correctly posted.

CROSS ENTRIES.

Cross entries are made for the purpose of rectifying mistakes. Where there is a "snarl" or complication in an account, caused by several mistakes, it is usually necessary to make several cross entries to "straighten" it. We give below examples of simple cross entries.

If Wm. Green purchased goods on credit, and by mistake in journalizing or posting you charged them to James Brown, the cross entry in the Journal to rectify the error would be:

Wm. Green, *Dr.*

To James Brown,

For Goods charged the latter in error, Sept, 29th.

Again, suppose that when journalizing the entries of the IV. Set you had made the following errors and posted them to the Ledger: On the 8th credited Bills Receivable with both the amount of Jones' note and interest, \$296.65; on the 16th charged Bills Payable with both the amount of Jakes & Hayes' note and interest, \$1,914.94; to rectify them you would make the following cross entries: For that on the 8th:

<i>Bills Receivable</i>	<i>Dr.</i>	<i>1.65</i>
<i>To Interest,</i>		<i>1.65</i>

For error in crediting B. R. with an item of interest, April 8th.

For that on the 16th,

<i>Interest</i>	<i>Dr.</i>	<i>14.94</i>
<i>To Bills Payable</i>		<i>14.94</i>

For error in charging B. P. \$14.94 for interest on April 16th.

Remember that Bills Payable account should never be charged with more in connection with any bill than it was credited with when the bill was issued; and Bills Receivable Account should never be credited in connection with any bill with more than it was charged with when the bill was received. Interest for or against must be put through Interest account.

BOOKS AS EVIDENCE IN COURT.

BOOKS OF ORIGINAL ENTRY are the only ones admitted as evidence in Courts of Justice.

For proving many transactions there is no written signature nor testimony of witnesses, and the entries in the books are the only vouchers for millions of dollars. The law has laid down certain rules in regard to them, which should be universally known, as debts are frequently lost from some defect of entry, which might have been saved had they been recorded in a proper manner.

A book of ORIGINAL ENTRIES is evidence of the SALE and DELIVERY of goods and of work done. The Book, however, may be set aside on sufficient proof of incorrectness. Correctness must be proved by the affidavit or oral evidence of the person who made the entries; or if such person is dead or cannot be reached, proof of death, or absence, and of the handwriting is sufficient.

To entitle a person's books to be received as evidence in Court, the following facts must be proved, viz. :

1st. By whom the entries were made.

2nd. That the books produced are his account books, and come from the proper custody.

3rd. That some of the articles charged have been delivered.

4th. That he keeps fair and honest accounts, and this he must show by those who have dealt and settled with him.

If the entries in a book were made by a clerk, and he is dead, on showing that fact and proving his handwriting, and that he was a clerk of the party, such entries would be received as evidence.

ENTRIES FOR RENEWALS OF NOTES AND ACCEPTANCES.

Suppose M. MacCormick & Co., of Belleville, have a note for \$200, in favor of McLachlan Bros. & Co., of Montreal, coming due at the Merchants Bank in Montreal four days hence, which they cannot meet, they request the house to retire it, and renew, say, for three months; the request is granted, and the first or second day after the maturity of the note, they receive the following statement :

<i>1908.</i>	<i>(The Usual Heading.)</i>
Jan. 22—To Cash to retire your note.	\$200.00
" Interest on renewal for three months and Bank Com.	5.09
	\$205.09
<i>Cr.</i>	
By Draft at three months,	\$205.09
McLachlan Bros. & Co.	\$205.09

Your Journal entries for above will be:

Bills Payable,	<i>Dr.</i>	\$200 00	
Interest,	"	5 09	
	To McLachlan Bros. & Co.,		\$205 09

For B. P., No. 58, retired by them, and renewed for three months, as per statement.

McLachlan Bros. & Co.,	<i>Dr.</i>	\$205 09	
	To Bills Payable,		\$205 09

Accepted their Draft at 3 months from Jan. 25, in renewal of B. P., No. 58.

Or, if you don't desire to put the transactions through the personal account, the following Journal entry will have the same effect, and be much shorter:

Bills Payable,	<i>Dr.</i>	\$200 00	
Interest,	"	5 09	
	To Bills Payable		\$205 09

The entries of the firm that renewed the note would be, if the note were under discount and retired by Cheque:

M. MacCormick & Co.,	<i>Dr.</i>	\$205 09	
*To Bank,,			\$200 00
" Interest,			5 09

For their note due this day (B. R., No. 120) retired by Cheque No. 170, renewed for three months,

Bills Receivable,	<i>Dr.</i>	\$205 09	
	To M. MacCormick & Co.,		\$205 09

For Draft at three months in renewal of B. R., No. 120.

Or, if you don't desire to put the transaction through the personal account (after charging back the note to Bills Rec. and crediting Bank), the following Journal entry will have the same effect, and be much shorter:

Bills Receivable,	<i>Dr.</i>	\$205 09	
	To Bills Receivable,		\$200 00
" Interest,			5 09

PARTIAL RENEWALS.

Brown renews for you half the amount of a note for \$500, due to-day. You pay \$250, cash, and give a new note for half the amount of the old one and interest on renewal, \$3.50.

1. YOUR ENTRY,			
Bills Payable	<i>Dr.</i>	\$500 00	
Interest,	"	3 50	
	To Cash,		\$250 00
	" Bills Payable,		253 50

2. HIS ENTRY,			
Bills Receivable	<i>Dr.</i>	\$253 50	
Cash,	"	250 00	
	To Bills Receivable,		500 00
	" Interest,		3 50

Brown renews for you half the amount of a note for \$600 due to-day. You pay \$303, being half the amount, plus the interest on renewal, and you give a new note for half the amount of the old one.

3. YOUR ENTRY,			
Bills Payable	<i>Dr.</i>	\$600 00	
Interest	"	3 00	
	To Cash,		303 00
	" Bills Payable,		300 00

4. HIS ENTRY,			
Bills Receivable	<i>Dr.</i>	\$300 00	
Cash,	"	303 00	
	To Bills Receivable,		600 00
	" Interest,		3 00

If the Note were not discounted, as in the example in Set V., McLachlan Bros. and Co.'s first entry would be M. MacCormick and Co. Dr. to Bills Receivable and Interest. Suppose that instead of the Note being due in Montreal it were due in Belleville, M. MacCormick & Co. would request permission from McLachlan Bros. & Co., say four days before it matured, to draw upon them at sight, for the amount required; and having obtained written permission, would present it with the Draft to one of the Banks (most probably the banks at which it is payable,) and obtain the amount of the draft, for which they would debit cash and credit McLachlan Bros. & Co., (the fifty cents paid for collection would be credited to Cash and charged to interest), and when the statement is received they will credit McL. Bros. & Co. with the interest, &c., on renewal. At the maturity of the Note they would pay it, and, of course, credit Cash by Bills Payable.

When a Cash-Book is kept, of course the cash would have to be put through it. In that case the entries for No. 1 would be as follows:—

	<i>Cash.</i>	<i>Cr.</i>
By Bills Payable. For Part payment on No. 92. renewed as per Journal and Bill-Book.		\$250 00
<i>Journal.</i>		
Bills Payable <i>Dr.</i>	\$250 00	
Interest "	3 50	
To Bills Payable,	\$253 50	

On the same principle work the other examples for yourself.

RENEWALS, INCLUDING OTHER ITEMS.

You will often find when a customer asks for a renewal of his note or acceptance, that there are items charged to his personal account which it will be well to embrace in the renewal. Following are some examples:—

John Jones' note (or acceptance) in favor of the *Herald* Printing Co., is due to-day, amount \$400.00. The renewal is to be for three months, and the new note (or acceptance) is to include the sum of the old one, interest on renewal \$7.00, and \$64.00, the amount at the debit of the personal account.

John Jones' entry would be:

Bills Payable,.....	<i>Dr.</i>	400 00	
Interest.....	"	7 00	
<i>Herald</i> Printing Co.,.....	"	64 00	
To Bills Payable,.....			471 00

The *Herald* Printing Co.'s entry would be:

Bills Receivable,.....	<i>Dr.</i>	471 00	
To Bills Receivable,.....			400 00
To Interest.....			7 00
To John Jones.....			64 00

The entries might be put through the personal accounts in each case and would be as follows:

John Jones' entry would be:

Bills Payable,.....	<i>Dr.</i>	400 00	
Interest,.....	"	7 00	
To <i>Herald</i> Printing Co.,.....			407 00
and			
<i>Herald</i> Printing Co.,.....	<i>Dr.</i>	471 00	
To Bills Payable,.....			471 00

The *Herald* Printing Co.'s entries would be:

John Jones,.....	<i>Dr.</i>	407 00	
To Bills Receivable,.....			400 00
To Interest.....			7 00
and			
Bills Receivable,.....	<i>Dr.</i>	471 00	
To John Jones,.....			471 00

Charles Parsons, of Toronto, owes W. J. Osborne a note of \$200 and on account \$100. He requests Osborne to draw a draft on him at one month for both, which he does. Or, he gives him his note for both, at one month.

W. J. Osborne's entry would be :

Bills Receivable.....	Dr.	300 00	
To Bills Receivable.....			200 00
" Charles Parsons.....			100 00

Charles Parsons' entry would be :

Bills Payable.....	Dr.	200 00	
W. J. Osborne.....	"	100 00	
To Bills Payable.....			300 00

OVERDUE BILLS ACCOUNT, AND BILLS IN SUIT ACCOUNT.

For reasons that may exist, it may be impossible, or, if not impossible, it may be undesirable, to obtain a renewal of a note or acceptance that is overdue. The banks and many business houses transfer such bills from the Bills Receivable account to an account called "Overdue Bills." The Journal entry to make the transfer would be

Overdue Bills Receivable,
 To Bills Receivable.

If you are obliged to pay a customers' Note at maturity which you had discounted, make

Overdue Bills Receivable,
 To Bank (or Cash).

Again, Notes and Acceptances that have been placed in suit are frequently transferred from Bills Receivable account to an account called "Bills in Suit." The Journal entry to make the transfer would be :

Bills in Suit,
 To Bills Receivable.

Following either of the above Journal entries, each Bill transferred should be fully described, its history given if desirable, and its Bill Book number should be added.

"THE CREDIT MAN."

In extensive wholesale and manufacturing establishments there is usually what is termed a "credit man." His business is to know the financial condition and the worthiness of credit of all the customers of the house, and to find out the position of any merchants making new applications for credit. The Mercantile Agencies help him, of course, in regard to the latter, but with respect to the former he is supposed to be fully informed. He knows from the office records whether a customer is prompt or slow in payments; whether he takes the term of credit allowed or takes the advantage of cash discounts. From the travelling salesmen he finds out the characteristics of the merchant's place of business, and whether he is a capable man, of good habits, and attends strictly to his business. In a word, the credit man is the firm's Mercantile Agency.

OBTAINING ASSISTANCE BY DRAFT TO RETIRE AN ACCEPTANCE OR NOTE.

A business man is frequently in such a position as the following :

His acceptance (or note) for \$600.00 in favor of John Allen & Co., of Montreal, will fall due four days hence at the Bank of Montreal, in Kingston. All he can raise towards paying it is \$300.00; so he writes them the following letter :

KINGSTON, ONT., June 9, 1908.

MESSRS. JOHN ALLEN & Co.,
MONTREAL,

GENTLEMEN,—I regret that I shall not be able to pay in full my acceptance in your favor due on the 13th inst. All I can raise is \$300, and I request that you will kindly permit me to draw on you at sight for the balance, \$300, for which you may draw back upon me at ten days' sight, with interest and exchange added.

Yours faithfully,

RICHARD ROE.

He receives the following reply:—

MONTREAL, June 10, 1908.

MR. RICHARD ROE,
KINGSTON,

DEAR SIR,—Your letter of the 9th inst. is received, and in reply we hereby authorize you to draw on us at sight for \$300, to assist you to retire your acceptance in our favor, due June 13th. As requested, we shall draw back upon you for that amount at ten days' sight, adding interest and exchange.

Yours faithfully,

JOHN ALLEN & CO.

The letter of authority to draw the draft will be shown by Roe to the manager of the bank, with the request that the bank will discount the draft. He consents. Roe draws the following draft:—

KINGSTON, ONT., June 13, 1908.

\$300.00.

At sight, for value received, pay to the order of the Bank of Montreal the sum of three hundred dollars, and charge to the account of

TO MESSRS. JOHN ALLEN & Co.,
MONTREAL.

RICHARD ROE.

(N. B.—Roe might draw the draft to his own order and indorse it over to the Bank.)

Roe has the draft discounted, and leaves the proceeds, \$299.25, to his credit in the bank.

John Allen & Co. retire the draft by cheque on presentation.

The interest on and cost of collecting the draft which they draw back upon Roe amount to \$1.50, so they draw upon him at ten days' date for \$301.50.

ENTRIES.

Roe's entry when he draws the draft on Allen & Co.	Bank,	Dr.	\$299.25.	
	Discount,	"	75.	
	To John Allen and Co.,			\$300.00.
Allen & Co.'s entry when they retire Roe's draft by Cheque.	R. Roe,	Dr.	\$300.00.	
	To Bank			\$300.00.
Allen & Co.'s entry when they charge Roe with the interest and exchange on the draft to be drawn at ten days.	R. Roe	Dr.	\$1.50.	
	To Interest			\$1.50.
Allen & Co.'s entry when they draw on Roe at ten days.	Bills Rec.,	Dr.	\$301.50.	
	To R. Roe,			\$301.50.
Roe's entry when he accepts Allen & Co.'s draft at ten days' date.	John Allen & Co.,	Dr.	\$300.00.	
	Interest	"	1.50.	
	To Bills Payable,			\$301.50.

The note, to retire which assistance was obtained, was duly charged to Roe's account in the Bank, and he made

Bills Payable, <i>Dr.</i>	\$600.00
To Bank	\$600.00

and when he retires the Acceptance of \$301.50 he will make

Bills Payable, <i>Dr.</i>	\$301.50
To Bank	\$301.50

DISCOUNTING NOTES* AND ENTRIES.

There are two senses in which the expression *Discounting a Note* or Bill may be taken. It may mean paying a note outstanding against you before it comes to maturity, and getting a discount off; or it may mean raising money on your own note, having an indorser (which is called an accommodation note), or borrowing on a note you hold against another person before its maturity.

When working the discount proceed as follows: First find the time the instrument has to run from the date of discounting to the date of maturity (including the days of grace), then find the simple interest for that time at the rate charged, deduct this from the face of the instrument, and the balance is the proceeds.

This subject is dealt with extensively under the head of Discount. See Index.

TO DRAW AN ACCOMMODATION NOTE.

Make it payable to the order of the person who is going to indorse it, get him to indorse it, then the bank discounting it will hold you (the maker) for the payment, and the indorser responsible if you fail to pay, provided he has been legally notified of dishonor.

ENTRIES FOR DISCOUNTING NOTES.

Examples: AN ACCOMMODATION NOTE made by yourself, indorsed by John Jones for \$300, the discount being \$3.20, and the proceeds left to your credit in Bank.

Bank	<i>Dr.</i>	\$296.80
Discount	"	3.20
To Bills Payable		\$300.00

*Discounting Bills might be the term employed, as the entries for discounting Drafts or Acceptances and Notes are the same.

Through the Cash-Book, producing the same effects upon the Ledger, the entries would be:

<i>Cash Dr.</i>	<i>Cash Cr.</i>
To Bills Payable, No. 91 disc'd., \$300	By Bank. Proceeds of B.P. 91, \$296.80
	“ Discount. Discount on above, 3.20

If you receive the cash into your hands, Cash account would take the place of Bank in the Journal entry, and in the Cash-Book entry only Discount would appear on the *Cr.* side.

A CUSTOMER'S NOTE, or acceptance, one for \$420, you hold against R. Brown, discount, \$4.90, proceeds left to *Cr.*

Bank	<i>Dr.</i>	\$415.10
Discount	“	4.90
To Bills Receivable,		\$420.00

Through the Cash-Book, producing the same effect upon the Ledger:

<i>Cash Dr.</i>	<i>Cash Cr.</i>
To Bills Rec'ble, No. 87 disc't'd, \$420	By Bank. Proceeds of B.R. 87, \$415.10
	“ Disc't. Dis. on above, 4.90

If you received the cash into your hands, Cash account would take the place of Bank in the Journal entry, and in the Cash-Book entry only Discount would appear on the *Cr.* side.

PAYING A NOTE BEFORE MATURITY.

J. H. McMurty holds a note against you for \$275, due 2 months hence; you paid it to-day, and he allows you a discount of \$4:

Bills Payable,	<i>Dr.</i>	\$275 00
To Cash,		\$271 00
“ Discount,		4 00

Through the Cash-Book, producing the same effect in the Ledger:

<i>Cash Dr.</i>	<i>Cash Cr.</i>
To Discount. For dis. on No. 78, \$4.	By Bills Payable. Retired No. 78, \$275 00

The holders' entries would be:

Cash	<i>Dr.</i>	271 00
Discount	“	4 00
To Bills Receivable,		\$275 00

Through the Cash-Book producing the same effect in the Ledger:

<i>Cash Dr.</i>	<i>Cash Cr.</i>
To Bills Rec. Rec'd. payment of No. 789, \$275 00	By Discount, on B. R. No. 789, \$4 00

THE METHOD OF WRITING OFF BAD DEBTS.

Few merchants or manufacturers can do business without making bad debts. Every man doing a credit business should at each periodical closing of the books (which should be at least once a year) go through his Ledger, and take a list of the accounts that he considers bad or very doubtful, in order that they may be written off. It may be asked, Why write them off at all? What harm can there be in allowing them to remain on the books? The answer is, if you continue them they stand as resources or assets of your business, which, being worthless, they are not.

In nearly every case of insolvency, the book debts yield on an average not more than 50 per cent.; and in not a few instances the insolvency itself is in a large measure produced by allowing worthless accounts to remain on the Ledger, and regarding them, and representing them to creditors, as assets of the business.

Suppose you have upon your Ledger the following accounts considered bad:—Jones, \$57; Brown, \$31.50; Green, \$41.90; write them off by the following Journal entries:—

Bad Debts account,	<i>Dr.</i>	\$130 40	
To Jones,			\$57 00
" Brown,			31 50
" Green,			41 90

For amounts at their debit that we consider impossible to collect.

Loss and Gain account,	<i>Dr.</i>	\$130 40	
To Bad Debts account,			\$130 40

For amounts written off transferred.

It will be observed that the accounts are first written into Bad Debts account, and the latter is closed into Loss and Gain. If they were left in Bad Debts account, or in a Suspense account, they would still be in the form of assets. Of course they might be written into Loss and Gain at once, but the object desired in dealing with them as we do here is to have an account showing distinctly the sum written off yearly for bad debts, as well as the *names* of delinquents, each of which occupies a line by itself in the Bad Debts account. Recording them thus in the Ledger, you can turn to the account at any time, and have the whole list, extending, it may be, over many years, before you.

Should you collect any of the accounts subsequently, you would make Cash debtor to Bad Debts, and in the explanation give the individual's name and other particulars.

A worthless note would be dealt with as you deal with the open accounts above, adding to the words "Bills Receivable" in Bad Debts account, the name of the maker in parenthesis.

RESERVE FOR DOUBTFUL DEBTS ACCOUNT.

There may be some accounts on your Ledger of only a doubtful character, which you do not purpose writing off now. You desire, however, to make due provision for any possible loss that they may occasion, and make the present year bear it. You will, therefore, carry such a sum from Loss and Gain account to an account called "Reserve for Doubtful Debts" as will be equal to the whole of the debts, or the proportion likely to be lost. The Journal entry will be,

Loss and Gain
To Reserve for Doubtful Debts.

Give full particulars, with names of the accounts from which you anticipate the loss.

The accounts are continued on the Ledger as assets, but there is an offset in the Reserve for Doubtful Debts account which equals them, and into which they can be closed in the future.

CONTINGENT, OR SUSPENSE ACCOUNT.

It frequently occurs at the close of a year that losses or charges are imminent, the exact amount of which cannot be ascertained. It is desirable under such circumstances to carry such an amount from the Loss and Gain Account of the year to the credit of Contingent Account as will be equivalent to these possible losses or charges, and into which they can be written off in the future. By this plan, the year properly chargeable shows the loss, and provision is made to meet it by retaining an amount that would otherwise likely be drawn as profit or paid as dividend.

Suppose this to have been done, and there stands at the credit of Contingent Account the sum of \$500. The loss may be from depreciation in plant, office furniture, or similar property, and is now ascertained, make

**Contingent Account Dr.*
To Plant Account,
or Office Furniture or similar account.

It may be from bad debts, make

Contingent Account Dr.
To the Several Personal Accounts,
or perhaps to Bills Receivable.

It may be the cost of a law-suit, make

Contingent Account Dr.
To Cash.

* If provision is made, in the manner indicated, for estimated depreciation in property accounts, they need not be written down or written off. When settling with insurance companies for fire losses the companies might take advantage of the writing down or writing off in case of dispute in settling.

RECEIVING CASH TO RETIRE CUSTOMERS' PAPER DUE AT A BANK.

Wholesale houses frequently receive the money from their customers to meet notes and acceptances that were made payable at a bank, and are under discount there. In such case, put the transaction through the personal account; as, Cash to John Doe, for the money received, and John Doe to Cash (or Bank) when you retire the note or acceptance.

REMITTING BY THE MEDIUM OF A BANK DRAFT.

In the second month of Set XI. you will find on February 7th, the following transaction :

“Remitted A. Urquhart & Co., a draft bought from the Bank of Montreal for amount of their invoice of January 12th, less $2\frac{1}{2}\%$ discount; paid Cash for draft and $\frac{1}{4}$ per cent exchange,” and in Set XIII., April 13th, a similar transaction.

When buying a draft from a bank you make out a “requisition” on the form the bank supplies, stating the amount and where and to whose order you desire the draft to be made payable, and sign the requisition. Hand the requisition to the teller with a cheque or cash for the amount of the draft and the exchange, which is usually $\frac{1}{4}$ of 1% .

The entries in the Cash Book are :

DR.	CASH.	CONTRA.	CR.
To Discount, for $2\frac{1}{2}\%$ off A. Urquhart & Co.'s Invoice of Jan. 12.	\$ 27 48	By A. Urquhart & Co., Remitted for Inv. of Jan. 12th by B. of M. Draft. By Interest, for $\frac{1}{4}\%$ exchange on Draft above.	\$1099 21 2 68

You may omit the Interest entry on the credit side, \$2.68, and make the Discount entry on the debtor side, \$24.80 instead of \$27.48.

If, instead of paying cash for the Draft, you have given a cheque for it, the entries in the Cash-Book would be :

DR.	CASH.	CONTRA.	CR.
To Bank, For Cheque 901 “ Discount, for $2\frac{1}{2}\%$ off A. Urquhart & Co.'s Invoice of Jan. 12th.	\$1074 41 27 48	By A. Urquhart & Co., Remitted for Inv. of Jan. 12th, by B. of M. Draft. By Interest, for $\frac{1}{4}\%$ exchange on above Draft.	\$1099 21 2 68

You may also in this case omit the Interest entry on the credit side, \$2.68, and make the Discount entry on the debtor side, \$24.80, instead of \$27.48.

TO SHOW SETTLEMENTS IN LEDGER ACCOUNTS.

WITHOUT RULING.

It is a great assistance to a bookkeeper to pursue a method of showing clearly the various settlements in the course of a year, and the settled items of a large, or even a small, account in the ledger; but it is not desirable to *rule* an account oftener than the ledger is balanced. We, therefore, recommend the plan shown in the example below.

Dr.		R. B. BEATTY.										Cr.	
1908							1908						
Jan.	2	To Mdse.,	49	A	197	50	Feb.	1	By Bills Rec.,	70	A	436	70
	15	" "	64	A	239	20	April	1	" "	101	B	749	90
Feb.	17	" Cash	120		100	00	May	10	" "	170	C	57	50
Mar.	7	" Mdse.,	84	B	597	20							
	21	" "	91	B	152	70							
April	3	" "	102	C	57	50							
May	10	" "	120		143	20							
	29	" "	125		49	15							

The letters of the alphabet are used consecutively, and should always be in lead pencil—a hard black that will not blur is the best. You will observe that the debits in January are settled by note in February, and the settlement is indicated by the letter A opposite each debit and the credit. The March and April debits are also settled, and the letters B and C on each side show the respective settlements. Suppose that on the 1st of June, when making out statements, you come to this account, you see at a glance the unsettled items. We have found in long complicated accounts, that this system of showing settlements is exceedingly valuable. In practice we have also used it in the Bills Receivable and Bills Payable accounts, to show notes retired, each bill, of course, being posted singly.

RENDERING STATEMENTS OF ACCOUNT.

When you render a statement of account, put the letter R (rendered) and date in black pencil opposite the last items in the Ledger on both sides. Statements should be written with copying ink, and an impression of each one should be made in the statement book with the copying press. If the index of the book is kept closely written up, you can turn to any statement in a moment. If a statement has been rendered and a settlement has not been made when the time comes to render again, say, "To amount of account rendered," date and sum, and any new items follow. (See form of Statement, page 63.)

WORKING ACCOUNT.

This account is practically the same as a Loss and Gain account, or Revenue account, and would be used to close the representative accounts in a Ledger, say, of a public institution. Take a Church, for instance. It is desirable to show income and expenditure under such Ledger titles as

the following : Collections, Pew Rent, Missionary Fund, etc., for income; and Lighting, Sexton, Organ Expenses, etc., for expenditure. At the close of the year, instead of closing these accounts into Loss and Gain as would be done where trade is being carried on, you would close them into WORKING ACCOUNT, and it would show either excess of income or expenditure, and be closed into the "CHURCH" account, which is the one that keeps the Ledger in balance, or represents the net worth or the insolvency, as does the Capital account of an individual. (See Church accounts, pages 207 to 214).

For a more extended explanation and illustration of Working accounts, see "Johnson's Joint Stock Company Bookkeeping."

PRIVATE LEDGER.

All judicious merchants are aware of the importance of avoiding needless exposure of their affairs. This in some establishments is unavoidable, where the partners' accounts and the results of the business are all exhibited on the same Ledger. In order to avoid exposure, a Ledger, with clasp and lock, may be kept for accounts that are to be kept private. The keeping of these accounts in a separate book entails no additional trouble, as they are dealt with as though they were in the General Ledger. Merchants who adopt the plan of keeping a Private Ledger also make special Journal entries of a private nature in a PRIVATE JOURNAL. The accounts usually kept in a Private Ledger are Merchandise, Loss and Gain, and the Proprietor's.

MAKING COLLECTIONS BY DRAFTS.

*Creditors, when drawing drafts through their bankers upon their debtors, often defer making the entries till they are notified of the collection and that the proceeds have been entered to their credit. The Bank charges (usually) $\frac{1}{4}\%$ for collecting. You have drawn drafts upon the following at sight :

John Simpson & Co., Toronto.....	\$186 00
R. J. Wood, Hamilton.....	264 00
T. Brown, Ingersoll.....	180 00
B. G. Ross, Port Hope.....	168 60

All the drafts were duly paid and the proceeds, less $\frac{1}{4}\%$ for exchange, have been entered to your credit in the bank. Make the Journal entry :

Bank	Dr.	\$796 60
Discount	"	2 00
To John Simpson & Co.....		\$186 00
" R. J. Wood.....		264 00
" T. Brown.....		180 00
" B. G. Ross.....		168 60

Or in the Cash-Book :

*Refer to "Bank Pass-Book," page 249.

<i>Dr.</i>	CASH.	<i>Cr.</i>	
To John Simpson & Co., Draft Coll.	\$186 00	By Bank, Proceeds of Cols..	\$796 60
“ R. J. Wood,	“ “ 264 00	“ Discount, Exchange on above	2 00
“ T. Brown,	“ “ 180 00		
“ B. G. Ross,	“ “ 168 60		

COMPROMISE WITH DEBTORS.

The accountant has frequently to deal with compromises made between debtors and their creditors. Wholesale houses have to make settlements of this kind more frequently than is pleasant, and require almost constantly a "Compromise" account in their Ledger. It is kept to show the losses from this source, just as "Bad Debts" account is employed to show the losses from debts totally bad. For illustration, John Blank & Co. have suspended payment, or gone into bankruptcy; a meeting of their creditors has been held, and their offer of sixty cents on the dollar has been accepted. Their debt to us amounts to \$3000, made up of bills receivable \$2500 and personal account \$500. We deliver up the old notes. In settlement of the compromise we receive new notes drawn at 6, 9 and 12 months for \$1800. Make the following entries:

Compromise Account	Dr.....	\$3000 00
To Bills Receivable.....		\$2500 00
" John Blank & Co.....		500 00

AND

Bills Receivable	Dr.....	\$1800 00
To Compromise Account.....		\$1800 00

At the end of the year, Compromise Account will close By Loss and Gain for the amount of your loss \$1200.

The entries to be made by John Blank & Co., for the same transactions are:

Bills Payable	Dr.....	\$2500 00
Student	"	500 00
To Compromise Account.....		\$3000 00

AND

Compromise Account	Dr.....	\$1800 00
To Bills Payable.....		\$1800 00

At the end of the year, Compromise Account will close To Loss and Gain for the gain made on the compromise.

It will be seen that the effect of the last two entries when posted is, first, to cancel the old notes and the personal account in the Ledger; and second, to show the amount of compromise debts at the credit of Bills Payable account, notes being given covering the compromise. Compromise account will close To Loss and Gain at the end of the year.

The firm that effected the compromise would require to make similar entries for each creditor, but one Journal entry would do for all, for example: A man fails owing \$20,000—\$19,000 in notes and acceptances, and \$1000 on personal accounts, and compromises at 60 cents on the dollar, and gives in settlement notes at 6, 9 and 12 months; following are the entries:

Bills Payable Dr.....	\$19,000 00	
Give in detail the notes:		
C. Jones & Co.....	200 00	
R. Brown & Sons.....	620 00	
Thos. Dunn & Co.....	100 00	
Times Printing Co.....	80 00	
To Compromise Account.....		\$20,000 00
AND		
Compromise Account Dr.....	20,000 00	
To Bills Payable.....		\$12,000 00
" Loss and Gain.....		8,000 00

COLLATERAL SECURITIES PLEDGED FOR ADVANCES OR DISCOUNTS.

Manufacturing firms that sell to customers on time, on the security of Lien Notes, when obtaining loans from banks usually discount their own paper without indorsement, pledging as security Lien Notes to a considerably larger amount than the sum borrowed. For a discount of the firm's own note made payable to the bank say for \$2000, a firm would deposit, or hypothecate with the bank, Lien Notes to the amount, say, of \$3000.

The entry for discounting the note would be, through the Journal:

Bank,	<i>Dr.</i>	\$1980 00	
Discount,	"	20 00	
To Bills Payable,			\$2000 00
(stating full particulars,)			

or through the Cash Book,

DR.	CASH.	CONTRA.	CR.
To Bills Payable, Dis. B. P., No.—\$2000 00		By Bank, Pro. of B. P. No.	\$1980 00
		" Discount, on above	20 00

The Lien Notes when received were charged to Bills Receivable; now you have hypothecated as collateral security \$3000 worth of these notes for the above discount, make the following Journal entry:

Hypothecated Bills,	<i>Dr.</i>	\$3000 00	
To Bills Rec.,			\$3000 00

giving the B. R. Nos. of the notes pledged and any other particulars.

When payment or partial payment is received from the makers for any of the notes hypothecated as collaterals, make Cash Dr. to Hypothecated Bills,

giving full particulars, and at once deposit in the bank the amount received separately, and make Cash Cr. by Bank for the sum.

If the sum was a partial payment, write the acknowledgment of the payment on the back of the note and leave it in the hands of the bank; but if it was full payment you will receive the note from the bank to be cancelled and returned to the customer.

The collaterals, as you see, are being reduced, and to keep up the margin of collaterals over the sum of your line of discount you will pledge new Lien Notes from time to time.

ASSIGNEES' ACCOUNTS.

When an Assignee of an insolvent estate takes it over, one of his first duties is to get a correct list of the creditors of the insolvent. Having done so, he should make a Journal entry in his own books similar to the following:

Jones' Estate	Dr.	\$10,000.00	
To A. B.			\$1,000.00
" C. D.			500.00
" E. F.			6,000.00
" G. H.			2,000.00
" I. J.			500.00

For the full amount of their claims, as duly certified.

We will suppose that the assets realize \$4,500. Of this amount \$500 is appropriated by the Assignee for commission and expenses, and the balance is to be paid as a dividend of 40 cents on the dollar to the creditors, in accordance with the Dividend Sheet; he will make the following entry, having deposited the amount in bank to a special account :

Bank of Com. (Jones' Special account)	Dr.	\$4,500.00	
To Jones' Estate.			\$4,000.00
" Assignee's Com.			500.00

He will now send to each creditor a cheque for 40% of his claim and draw a cheque in his own favor for commission, and make the following Journal entry :

A. B.	Dr.	\$ 400.00	
C. D.	"	200.00	
E. F.	"	2,400.00	
G. H.	"	800.00	
I. J.	"	200.00	
Assignee's Com.	"	500.00	
To Bank (Jones' Special account).			\$4,500.00

In order to finally wind up the matter he will make the following Journal entry for the 60% deficiency, which will close the Jones' Estate account and the accounts of the creditors :

A. B.	Dr.	\$ 600.00	
C. D.	"	300.00	
E. F.	"	3,600.00	
G. H.	"	1,200.00	
I. J.	"	300.00	
To Jones' Estate.			\$6,000.00

Peculiar circumstances might arise in connection with an estate that would cause a variation from the foregoing entries, but not from the principle they involve, which is, that a faithful and systematic record is kept of all transactions referring to the estate while in the hands of the Assignee, and that the ledger accounts are closed when the estate is wound up.

The Ledger exhibits the transactions on the opposite page, as follows;

DR.		JONES' ESTATE.						CR.	
	To Sundries,	10000	00				By Bank,	4000	00
							" Sundries,	6000	00
		10000	00					10000	00

A. B.

	To Bank,	400	00					By Jones' Estate,	1000	00
	" Jones' Estate,	600	00							
		1000	00						1000	00

C. D.

	To Bank,	200	00					By Jones' Estate,	500	00
	" Jones' Estate,	300	00							
		500	00						500	00

E. F.

	To Bank,	2400	00					By Jones' Estate,	6000	00
	" Jones' Estate,	3600	00							
		6000	00						6000	00

G. H.

	To Bank,	800	00					By Jones' Estate,	2000	00
	" Jones' Estate,	1200	00							
		2000	00						2000	00

I. J.

	To Bank,	200	00					By Jones' Estate,	500	00
	" Jones' Estate,	300	00							
		500	00						500	00

BANK OF COMMERCE (Jones' Special.)

	To Jones' Estate,	4500	00					By Sundries,	4500	00
--	-------------------	------	----	--	--	--	--	--------------	------	----

ASSIGNEE'S COMMISSION.

	To Bank,	500	00					By Bank,	500	00
--	----------	-----	----	--	--	--	--	----------	-----	----

An advertisement after the following form should be inserted in the local newspapers:

NOTICE TO CREDITORS.

IN THE MATTER OF LOCKHART & Co., TRADING
IN THE CITY OF TORONTO, AS RETAIL GRO-
CERS AND LIQUOR MERCHANTS, INSOL-
VENTS.

Notice is hereby given that the above named insolvents have made an assignment of their estate to me for the benefit of their creditors, by deed, dated October 15, 1908, and the creditors are notified to meet at my office, Scott Street, Toronto, on TUESDAY the 28th day of OCTOBER, 1908, at 3 o'clock p.m., for the purpose of receiving a statement of their affairs, and for the ordering of the affairs of the estate generally.

All Persons claiming to rank upon the estate of said insolvents must file their claims with me on or before the 30th day of November, 1908, after which date I will proceed to distribute the assets thereof, having regard to those claims only of which I shall then have received notice.

(Signed) E. R. C. CLARKSON, Trustee.

(Signed) W. W. VICKERS, Solicitor for Trustee.
Toronto, Oct. 19, 1908. Scott Street.

ASSIGNEE'S STATEMENT AND DIVIDEND SHEET.

Hamilton, Nov. 12th, 1908.

IN THE MATTER OF

JOHN SNOWBALL, SR., WM. SNOWBALL, AND JOHN
SNOWBALL, JR.

STATEMENTS OF RECEIPTS AND DISBURSEMENTS.

By sale at auction, April 24th, 1908.....	\$1343. 74'
“ proceeds from outstanding accounts.....	4 40
	<u>\$1348 14</u>

Dr.

To discounts for cash at sale, April 24th.....	\$ 11 83
“ postage and advertising.....	17 07
“ law costs.....	1 00
“ travelling expenses.....	2 00
“ Confederation Life claim.....	216 04
“ feed for cattle.....	23 69
“ Salem Eckardt for selling stock, etc.....	9 00
Balance.....	1067 51
	<u>\$1348 14</u>

Cr.

By Balance down.....	1067 51
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Dr.

PREFERRED CHARGES:

To A. Mairs, solicitor for assignee.....	52 48
“ salaries, J. Snowball, attending yard.....	31 45
“ assignee's fee.....	60 00
“ 1st and final dividend, 15 ⁹ / ₁₀ on \$5808.74.....	923 58
	<u>\$1067 51</u>

JOHN ECKARDT }
GEO. MORGAN }
H. E. DUNCAN }

Inspectors.

T. B. ROSS,
Assignee.

DIVIDEND SHEET.

Open to objection until November 22nd, 1908, after which all dividends will be paid.

		Claim.	1st and final div. 15 9-10 p.c.
1	W. H. Meyer.....	Cashel.....\$ 28 55	\$ 4 54
2	J. J. Hewitt.....	Markham 11 90	1 89
3	W. C. Renfrew.....	Cashel..... 12 50	1 99
4	H. D. Milne.....	Markham 20 49	3 26
5	Corson & Son.....	Markham 18 35	2 92
6	John Taylor.....	Markham 38 00	6 04
7	John McKenzie.....	Unionville 41 00	6 52
8	John Deaton.....	Unionville 41 00	6 52
9	Edward Gillian.....	Unionville 35 00	5 56
10	Ed. Smith.....	Unionville 23 87	3 79
11	Alex. Campbell.....	Markham 30 00	4 77
12	Elias Bice.....	Green River... 21 00	3 34
13	A. G. Burkholder.....	Markham 25 20	4 01
14	Speight Waggon Co.....	Markham 14 36	2 28
15	J. G. Freeman.....	Box Grove 11 33	1 80
16	W. Ham Hall.....	Markham 7 10	1 13
17	T. B. Reive.....	Markham 179 22	28 50
18	T. Empringham.....	Milliken 29 90	4 75
*19	John Eckardt.....	Unionville 440 10	69 98
20	Jos. Torrance.....	Markham 154 80	24 61
21	H. E. Duncan.....	Markham 90 30	14 36
22	John Cooney.....	Stouffville.... 109 68	17 44
23	Massey-Harris Co.....	Toronto 63 30	10 06
24	John Elliott.....	Stouffville.... 29 90	4 75
25	W. H. Mortson.....	Stouffville.... 149 00	23 69
26	John Williams.....	Stouffville.... 26 08	4 15
27	Ben Hoover.....	Markham 41 37	6 58
28	Charles Beierl.....	Markham 200 00	31 80
29	James Keith.....	Coleman..... 39 11	6 22
*30	Thomas Graham.....	Unionville 218 00	34 66
31	Alex. Demond.....	Headford 104 65	16 64
32	James Torrance.....	Markham 203 00	32 28
*33	Charles Petty.....	Cherrywood... 304 50	48 41
34	W. T. Hamer.....	Bradford..... 1018 96	162 02
35	T. & G. Morgan.....	Markham 1435 74	228 28
36	John Stephenson.....	Unionville.... 462 64	73 56
37	Standard Bank.....	Markham 128 84	20 48
		<hr/>	<hr/>
		\$5808 74	\$923 58

The following claim has been objected to and
for which no reservation has been made:

38 John Stephenson.....61 00

*Further proof of claim required.

All notes and accounts must be presented when dividend is paid.

COST ACCOUNTING.

BOOKKEEPING IN CONNECTION WITH CONTRACTS.

Plumbers and Gas Fitters, Builders and Contractors, and men engaged in similar trades, require to adopt and pursue an accurate and comprehensive system of bookkeeping, in order that the profit or loss UPON EACH CONTRACT they enter upon may be definitely and reliably ascertained. A merchant engaged only in buying and selling goods, ascertains at the end of the year his profits and losses upon the transactions of his business as a whole through the merchandise and expense accounts. The plumber should also do this in regard to the ordinary retailing of hardware and tinware over the counter, and the expenses connected with the store; but if he is a contractor as well as a store-keeper, he ought, moreover, to ascertain by faithful record the outcome of every contract. He cannot expect to do this without the employment of a competent double entry bookkeeper and the willingness to pay adequately for his skill and time. Many a competent tradesman and contractor can attribute his financial failure to the absence of sound bookkeeping in his business.

We want to emphasize here that single entry bookkeeping cannot accomplish what is desired. Double entry must be adopted and faithfully and skilfully pursued.

We will suppose the existence of a firm carrying on a hardware, tin, plumbing and gas fitting business at retail, which is also extensively engaged in contracting. The results of the trade carried on in the store will be ascertained through the Merchandise and the Expense Accounts and Labor Records on the time sheets. Merchandise will be debited with invoices, duties and freight, and also the time of the hands employed in making up goods that go into the store; it will be credited with sales and with material that goes from the store into contracts. Time sheets or a time book should be carefully kept for the men's time (see page 158 for example) and it should show, as well as the time and amount, what accounts are to be charged. This will be done by carefully noting on the sheet each day, when putting down a man's time, upon what it was spent. At the end of the week the wages are paid, for which probably a cheque is drawn. Say the wages for the week are \$200.00. By careful analysis we find the amount should be appropriated as follows:

Time spent in making up goods for store.....	\$ 78 00
“ “ on contract No. 1 with Thos. Hanley.....	53 00
“ “ “ “ No. 6 “ W. Alford.....	27 00
“ “ “ partner Jones' house.....	3 00
“ “ “ contract No. 3 with Harris & Walton.....	39 00
	<u>\$200 00</u>

You may either journalize above or put it through the Cash-Book.

Examples:

Merchandise	Dr.	\$78 00	
Thos. Hanley, Contract No. 1	“	53 00	
W. Alford, “ No. 6	“	27 00	
J. Jones, Drawing Account	“	3 00	
Harris & Walton, Contract No. 3	“	39 00	
To Bank			\$200 00

For Pay Sheet No. 29, week ending Sept. —, 1908.

DR.	CASH.		CONTRA.	CR.
To Bank, Cheque No. 181,	\$200 00	By Merchandise,		\$78 00
		“ Thos. Hanley, Contract No. 1		53 00
		“ W. Alford, “ No. 6		27 00
		“ J. Jones, Drawing Account,		3 00
		“ Harris & Walton, Contract 3		39 00
		being appropriation of Pay		
		Sheet No. 29, for week end-		
		ing Sept.—, 1908.		

File the Pay Sheets away carefully.

We will now take a contract with Thos. Hanley for the water-heating, plumbing and gas fitting of a church that he is erecting, and record the transactions so that the Ledger account will show the profit or loss. The first thing to be done is to put the contract in writing, and have it signed by both parties, each taking a copy. • The amount of the contract is \$4,365. Make the Journal entry :

Thos. Hanley Dr. \$4,365.00

To Thos. Hanley's Contract No. 1, \$4,365.00

For contract made this day for heating, plumbing and gas fitting of St. Andrew's Church, Belleville.

Should there be any extras after the contract is made, they should be agreed to in writing as well, and a subsequent Journal entry should be made as follows :

Thos. Hanley Dr. \$185.00

To Thos. Hanley's Contract No. 1, \$185.00

For extras, not included in the original contract for heating, plumbing and gas fitting of St. Andrew's Church, Belleville, as per agreement signed this day.

When the above Journal entries have been posted to the Ledger, you will have charged Thos. Hanley's personal account with the total sum to be paid by him, and will have credited Thos. Hanley's Contract No. 1 with the total amount to be received for it.

As the work progresses you will charge material and labor put into the work direct to Thos. Hanley's Contract No. 1 account. There have been invoices of goods bought at various times from Robt. Mitchell & Co., Montreal, and from the Mitchell, Vance Co., New York, and duties on them; there have been goods subject to demand drafts from various firms which you retired, when presented, by cheque on your banker; there have been small purchases for cash from local dealers; there have been goods taken out of your own stock, and the portion of the men's time from week to week put upon the job, as shown on the pay sheets. As per agreement, you have received from Mr. Hanley as the work proceeds, \$1,500 and \$1,000 respectively.

<i>Dr.</i>				THOS. HANLEY.				<i>Cr.</i>			
1908						1908					
June	5	To T.H. Contract No. 1	\$4365	00	July	10	By Cash,	\$1500	00		
Aug.	8	do	185	00	Aug.	10	do	1000	00		
					Sept.	30	" Bills Rec.,	2050	00		
			\$4550	00				\$4550	00		

THOS. HANLEY'S CONTRACT No. 1.

1908					1908						
June	12	To R. Mitchell & Co.,	\$ 560	00	June	5	By Thos. Hanley,	\$4365	00		
"	"	" Bank,	76	00	Aug.	8	" "	185	00		
"	26	" do	168	00							
"	"	" Mdse.,	320	00							
July	2	" The Mitchell Vance Co.	729	60							
"	"	" Cash,	182	00							
"	"	" R. Mitchell & Co.,	329	00							
"	"	" Bank,	102	00							
"	9	" do	78	00							
"	16	" do	290	00							
"	18	" Cash,	6	80							
"	25	" Bank,	163	20							
Aug.	1	" do	121	00							
"	"	" The Mitchell Vance Co.	158	60							
"	"	" Bank,	39	50							
"	28	" Mdse.,	167	50							
"	"	" Bank,	78	00							
Sep.	5	" do	265	00							
"	12	" do	120	00							
"	27	" R. Mitchell & Co.,	21	00							
		" Loss and Gain,	574	80							
			\$4550	00				\$4550	00		

NOTE.—The above Ledger entries have been posted from the Cash-Book, Invoice-Book, Journal and Pay-Sheets as the transactions took place from time to time.

The contract account shows a profit of \$574.80, and you close it To Loss and Gain account for that amount. You receive from Mr. Hanley his note at 30 days for the balance owing, \$2050, and make

Bills Rec. Dr. \$2,050.00

To Thos. Hanley, \$2,050.00

For his Note at 30 days to close Contract No. 1.

When this is posted to the Ledger, Mr. Hanley's personal account will be closed, and the Note will be at the debit of Bills Receivable, and when the Note is paid at maturity the whole matter of the contract will be wound up.

ENTRIES FOR GOODS GIVEN AND TAKEN IN EXCHANGE.

We recently received the following enquiry:

"In a store where butter, eggs, etc., are taken in exchange for merchandise, how should those sales be kept or shown, so that a correct account of sales of merchandise will be recorded?"

ANSWER.—Treat such trading, as cash purchases and Cash sales, making an entry of equal amount on each side of the C. B. That is to say, you take in \$10 worth of butter, eggs, etc., that will be sold later on, and give in exchange goods from the store amounting to \$10, make

<i>Dr.</i>	<i>Cash.</i>	<i>Cash.</i>	<i>Cr.</i>
To Merchandise.	For sale in trade, \$10.	By Merchandise.	For purchase in trade, \$10.

COAL AND SIMILAR ACCOUNTS.

In a Coal Business, or any business in which one or a number of definite articles are dealt in, the account in the Ledger can be kept so that it will show at any time the quantity on hand. You will keep an extra column on each side, that on the debtor side showing quantities received, and that on the credit side the quantities sold. Example: (See next page.)

DR.

ANTHRACITE COAL.

CR.

1908		Folios.	Quant'y received tons.	\$ C.	1908		Folios.	Quant'y sold tons.	\$ C.
June	6 To A. Bond & Co.,	168	250	1000 00	July	By Cash Sales,	320	300	1500 00
"	10 " Bills Payable,	193	600	2400 00	Aug.	" "	363	500	2500 00
"	17 " Geo. Ross & Bro.,	199	1000	4000 00	Sept.	" Bills Rec.,	196	100	475 00
July	20 " Bills Payable,	206	560	2240 00	"	" Cash Sales,	370	800	4000 00
Aug.	1 " A. Bond & Co.,	207	720	2880 00	Oct.	" Geo. Ritchie & Co.,	201	100	475 00
Sept.	9 " Geo. Ross & Bro.,	263	1000	4000 00	"	" Cash Sales,	381	1300	6500 00
Oct.	16 " Bills Payable,	271	3000	12000 00	Nov.	" "	402	2000	10000 00
"	29 " A. Bond & Co.,	289	1860	7240 00	Dec.	" "	419	1800	9000 00
	" Loss and Gain,			7050 00		" Bal. Inventory,		2000	8360 00
			8990	\$42810 00				8990	\$42810 00
	To Bal. of Coal on hand		tons, 2090	cost, \$8360 00					

You will keep an account for Bituminous and Blacksmiths' coal after a similar manner, each KIND having an account for itself, and so on with Hard Wood, various kinds of Lumber, Grain, etc.

THE INDIRECT LIABILITIES OF BILLS RECEIVABLE UNDER DISCOUNT SHOULD BE SHOWN ON BALANCE SHEETS.

It is desirable that firms who discount customers' paper at a bank, or several banks, should be able to show in their balance sheet the amount of their INDIRECT liability on bills discounted. Until the paper under discount has been paid by the customer, it remains an indirect liability of the firm that indorsed it.

Instead of any entries being made, or accounts being kept specially for this indirect liability, we would suggest that the amount be stated in a foot note in the balance sheet. The amount is easily determined by taking the bill-book and ascertaining the sum of bills under discount not yet due. A firm approaching insolvency, or already there, would likely have overdue paper of customers in the bank that it was unable to retire, and this would be added to the bills not yet due in ascertaining the sum of its indirect liability.

THE INDIRECT LIABILITY ON ACCOMMODATION NOTES AND BILLS SHOULD BE SHOWN ON BALANCE SHEETS.

In regard to individuals or firms that grant accommodation paper, either by indorsing notes or accepting drafts, we are of the opinion that regular entries should be made for each act of accommodation, and that ledger accounts should be kept for such paper. We would suggest that the liability be shown under the head of an account called "INDIRECT LIABILITY," with a corresponding asset account called "ACCOMMODATION PAPER."

EXAMPLE I.—You indorse a note for John Brown's accommodation at 3 months; make the Journal entry :

Accommodation Paper,	\$500 00	
To Indirect Liability,		\$500 00

For indorsement on a note at 3 months from this date for the accommodation of John Brown, payable at C. B. of C.

EXAMPLE II.—You accept a draft to accommodate Jones & Brown ; journalize as follows :

Accommodation Paper,	\$700 00	
To Indirect Liability,		\$700 00

For accommodation acceptance of Jones & Brown's Draft at 3 months from this date.

When you have seen the evidence of the payment, say, of the above accommodation note by those you accommodated, reverse the entry, make :

Indirect Liability,	\$500 00	
To Accommodation Paper,		\$500 00

For note indorsed for the accommodation of John Brown, retired by him and duly cancelled.

In case you are obliged to retire the above note yourself, say, by cheque, make :

Overdue Bills Receivable	.500 00	
To Bank,		\$500 00

For note indorsed for John Brown's accommodation, which I was obliged to pay, and which I now hold against him.

You would also require to make :

Indirect Liability,	\$500 00	
To Accommodation Paper,		\$500 00

as the indirect liability has ceased.

SETTLEMENT OF ACCOUNTS BETWEEN THE OWNERS OF A THRESHING MACHINE.

Somewhat intricate and involved questions in accounting often arise in connection with such matters as the joint running of a threshing machine, and accountants are frequently called upon to effect an adjustment. We give below a representative case, and the method of ascertaining how the accounts of the parties interested stand.

Statement of the facts:

Jones & Brown have been engaged in threshing; the machinery and power have been contributed in proportions of about equal value, consequently no difficulty arises on that point.

The total cash received for threshing was, \$427 86
as follows:

Jones received,	\$ 25 00	
Brown " "	402 86	
The total amount of expense was,		168 05
of which Jones paid,	44 74	
and Brown paid,	123 31	

According to agreement Jones is to be charged \$20, for which Brown is to be credited, as the latter devoted more time than the former to the work.

The best plan for finding a basis for settlement in any matter similar to above is to open accounts and post the transactions by double entry, as follows:

DR.	CASH ACCOUNT.	CR.
To Threshing	\$427 86	By Jones \$ 25 00
		" Brown 402 86
	<u>\$427 86</u>	<u>\$427 86</u>

	THRESHING ACCOUNT	
To Loss and Gain,	\$427 86	By Cash, \$427 86
	<u>\$427 86</u>	

	JONES' ACCOUNT	
To Cash,	\$ 25 00	By Expense, \$ 44 74
" Brown,	20 00	" Loss and Gain, 129 90
" Balance,	129 64	
	<u>\$174 64</u>	<u>\$174 64</u>
		By Balance, \$129 64

	BROWN'S ACCOUNT.	
To Cash,	\$402 86	By Expense, \$123 31
		" Jones, 20 00
		" Loss and Gain, 129 91
		" Balance, 129 64
	<u>\$402 86</u>	<u>\$402 86</u>
To Balance,	\$129 64	

	EXPENSE ACCOUNT.	
To Jones,	\$ 44 74	By Loss and Gain, \$168 05
" Brown,	123 31	
	<u>\$168 05</u>	<u>\$168 05</u>

	LOSS AND GAIN.	
To Expense,	\$168 05	By Threshing Account, \$427 86
" Jones,	129 90	
" Brown,	129 91	
	<u>\$427 86</u>	<u>\$427 86</u>

Following the transactions consecutively, you will see that we make Cash Dr. to Threshing account for \$427.86, being the amount received for the work done. We next make Jones Dr. \$25 and Brown Dr. \$402.86 to Cash for the amounts respectively that each received in cash. Next we make Expense account Dr. \$168.05, to Jones \$44.74 and to Brown \$123.31, being the amounts respectively that each paid out for expenses. As the agreement was that Jones was to be charged with \$20 and Brown credited with the same amount on account of the extra time given to the business by the latter, we make the entries in their respective accounts.

We have now a record of the transactions in the ledger, and shall next close the accounts. Make Threshing Account Dr. to Loss and Gain account, \$427.86, and Loss and Gain account Dr. to Expense account, \$168.05. The Difference between the two sides of Loss and Gain account now shows that a profit of \$259.81 was made; divide it equally by making Loss and Gain account Dr. to Jones \$129.90, and to Brown \$129.91.

All accounts but the partners' are now closed, and you see how the partners stand toward each other:

At Jones' CREDIT there is the sum of \$129.64, and the same amount is at the DEBIT of Brown. Hence to settle, Brown will pay over \$129.64 to Jones.

It is worthy of note that if Expense account instead of Jones' account had been charged with the \$20.00 that was credited to Brown, there would have been a difference of \$10.00 in the amount to be paid by Brown to Jones: that is, \$139.64 instead of \$129.64.

*MANUFACTURING ACCOUNTS.

BOOKKEEPING FOR PRINTERS, PUBLISHERS AND BINDERS.

The publication of a newspaper is often combined with job printing, and to both is frequently added a bindery. We will suggest the methods of bookkeeping to be pursued in an establishment of this kind. It is not only necessary that the results of the business as a whole should be known at the end of each year, but it is essential that the results of each branch should be definitely and accurately ascertained.

One general ledger will suffice, but such accounts must be kept in it as will record the business of each branch so that a reliable revenue (or loss and gain) statement with respect to each department will always be available.

We need not do more than mention the ordinary accounts to be kept such as the proprietor's or the partner's, or, if it be a Joint Stock Company, the Capital Stock account, the Cash and Bank accounts, the Bills Receivable and Bills Payable accounts, Discount and Interest, and the personal accounts. These need no explanations here, they relate to the business as a whole. The important matter is to create and keep the proper working accounts for each branch.

There should be the following:—"Job Plant," to which would be charged the cost of the machinery, type, etc., belonging to that department; "Job Work," to which all material used, such as paper, ink, etc., would be charged, and to which all earnings in that department would be credited; "Job Wages," to which the men's wages would be charged; "Job Expense," to which general items of expense in connection with that department would be charged.

*See also pages 148 to 162.

There should be "Newspaper Plant," to which would be charged the cost of the machinery, type, etc., of that department; **For the Newspaper.** "Publishing," or "News," to which would be charged the cost of paper and ink, and whatever other material is required in the publication of the newspaper; "Newspaper Wages," to which the men's wages would be charged; "Newspaper Expense," to which general items of expense in connection with that department would be charged; "Advertising," to which all advertising would be credited; "Subscriptions," to which all subscriptions would be credited. Standing advertisements that are indefinite may be entered in blank, the amount to be filled in when it is ascertained.

There should be "Bindery Plant," to which would be charged the cost of the machinery, tools, etc., belonging to that department; **For the Bindery.** "Bindery Work," to which all material, such as leather, cloth, straw board, paper, gold-leaf, thread, etc., would be charged, and to which all earnings in that department would be credited; "Bindery Wages," to which the wages of the bindery hands would be charged; "Bindery Expense," to which general items of expense in connection with that department would be charged.

At the end of the year the result of each branch will be determined by closing the accounts which show revenue and expenditure into a separate "Working account" for each department. For example:

JOB OFFICE WORKING ACCOUNT.

To Job Plant ac. (written off for depreciation)	\$ 300	00	By Job Work ac.	\$15000	00
" Job Wages ac.	9700	00			
" Job Expense ac.	500	00			
" Loss and Gain (for net gain on job office)	4500	00			
	<u>\$15000</u>	<u>00</u>		<u>\$15000</u>	<u>00</u>

NEWSPAPER WORKING ACCOUNT.

To Newspaper Plant ac. (written off for depreciation)	\$ 200	00	By Advertising ac.	\$25000	00
" Publishing ac.	14000	00	" Subscription ac.	18000	00
" Newspaper Wages ac.	15000	00			
" Newspaper Exp. ac.	800	00			
" Loss and Gain ac. (for net gain on newspaper)	13000	00			
	<u>\$43000</u>	<u>00</u>		<u>\$43000</u>	<u>00</u>

BINDERY WORKING ACCOUNT.

To Bindery Plant ac., (written off for depreciation)	\$ 100 00	By Bindery Work ac.,	\$ 5000 00
" Bindery Wages ac.,	2500 00		
" Bindery Expense ac.,	700 00		
" Loss and Gain, (for net gain on bindery)	1700 00		
	\$ 5000 00		\$ 5000 00

The general office expenses, such as bookkeeper's salary, rent, taxes, interest, etc., would be shown through a General Expense account, which would be closed into Loss and Gain account at the end of the year. We will suppose that it amounts to \$2,500. The Loss and Gain account will show the following as the result of the business for the year :

*LOSS AND GAIN ACCOUNT.

To General Exp. acct.,	\$ 2500 00	By Job Working acct.,	\$ 4500 00
" Balance (net profit to be carried to the credit of the proprietor, or partner's acct.)	16700 00	" Newspaper W'k'g ac.	13000 00
		" Bindery Working ac.	1700 00
	\$19200 00		\$19200 00

We will suppose the Assets and Liabilities to be as follows :

†STATEMENT OF ASSETS AND LIABILITIES.

ASSETS.	ASSETS.	LIABILITIES.
Job Office Plant.....	\$ 6000 00	
Job Office Stock.....	2800 00	
Newspaper Plant.....	8500 00	
Newspaper Stock.....	1700 00	
Bindery Plant.....	3000 00	
Bindery Stock.....	800 00	
Office Furniture.....	300 00	
General Plant.....	700 00	
Cash.....	350 00	
Bank of Commerce.....	3000 00	
Personal accounts Receivable.....	1020 00	
(as per statement in detail)		
Bills Receivable.....	2750 00	
LIABILITIES.		
Bills Payable.....		\$ 2500 00
Personal accounts.....		750 00
(as per statement in detail)		
Net Worth or Capital.....		27670 00
	\$30920 00	\$30920 00

* This may be called Trading Account.

† You may call this the Balance Sheet. See pages 94 and 95.

In order to secure sound and accurate bookkeeping and arrive at definite results such as those exhibited above, the bookkeeper and foreman of each of the departments of the business must work in harmony, and with the disposition to be painstaking and exact. The Job foreman will keep a blotter, or day book, in which he will enter all work done in his department, and the foreman of the Bindery will do the same. From these books, say at the end of each week, the bookkeeper will charge the separate accounts of the customers for whom work was done direct to the ledger, and credit "Job Work" and "Bindery Work" accounts respectively with the totals of work done on credit for that period in each department.

Work for which cash is received will be entered in the blotters, but the amounts will be carried into an inner column headed "Cash;" the column into which the amounts to be charged are carried will be headed "Time." The additions of these columns each week will show the amount of business done. Just as soon as money is received for a job that has not been charged to an individual, it will be entered in the Cash Book, and the letters C. B., with the folio, should be placed opposite the entry in the blotter. The proprietor, or an auditor, will be able thus to ascertain whether work done is properly accounted for. It must either have been charged to somebody in the ledger or to Cash.

It would be well to have order blanks (with stubs) containing full particulars of the work to be done, which would be made out in the office and handed to the foreman as his warrant for proceeding with the work. He would place the date when he received it, and keep it on file till the work was completed, when he would date it again, and from it make the entry in the blotter. The face of the orders should show at the foot the amount to be charged to the customer for the job; and on the back of the orders an estimate of what the job cost, giving material and time, should be shown. The orders would be consecutively numbered in printed figures. The entry in the blotter would have the order number added and the order would have the blotter folio. The bookkeeper should check the foreman's entries in the blotter from these orders and file them away carefully for reference or for the auditor. No blotter is required to be kept by the foreman of the newspaper department; it will be kept in the office and the entries taken from each issue of the paper.

The Invoices for goods bought, after being checked off, will be placed on a special file, and at intervals, weekly, fortnightly or monthly, they will be apportioned and entered in the Purchase Book; as in the example given on next page. At the end of the period above referred to, the total sum of each of the special columns, "Job Work," "Newspaper Expense" and "Bindery Work" in the Purchase Book will be posted direct to the Ledger, and each of the accounts in the unclassified column will be posted separately in the order in which they occur. Following the posting to the Ledger of these debits will be the posting separately of the total amount of each invoice to the credit of the Ledger accounts of the firms from whom the purchases were made.

When goods are obtained by one department from another, care must be taken by the department transferring the goods, to hand the particulars to the bookkeeper, so that he may charge the one department and credit the other.

One Pay-sheet will do for the whole establishment, but the bookkeeper will show, in addition to the total sum paid for wages, the proportion to be charged to each department. See example pages 292 over to 293.

PURCHASE JOURNAL.

CR.

DR.

Charge Job Work.	Charge Newspaper Expense.	Charge Bindery Work.	Amounts to be charged to unclassified accounts.	Names and Folios of unclassified accounts.		Dates of Invoices.	Names of Accounts to be credited and Ledger Folios.		
				Name.	Fol.		Credit.	Amount.	Folio.
120 90	78 00					1908 October 1	Buntin, Reid & Co.,	198 90	193
		69 70				" 2	Brown Bros., Limited,	69 70	232
391 20	75 00					" 7	W. V. Dawson,	466 20	360
		160 00				" 7	Brown Bros., Limited,	160 00	232
69 60			25 60	Office Expense,	98	" 10	McFarlane & Hodgson,	95 20	421
	290 20					" 11	John Riordan & Son,	290 20	363
370 60	39 40	60 80	12 65	J. W. Johnson,	4	" 14	Canada Paper Co.,	483 45	327
			75 00	Newspaper Plant,	70	" 14	Miller & Richards,	75 00	400
\$952 30	\$482 60	\$290 50	\$113 25					\$1838 65	

(Total of debits equals total of credits)

When each Invoice is entered in this book, place the Purchase-Book folio upon the Invoice, and then place the Invoice upon the Permanent Invoice File.

The Cash-Book will have special columns on each side (see ~~an~~ example, pages 134 and 135) under such headings as the following:—

Dr. Side.

Job Work.	Advertising	Subscription.	Bindery Work.	Sundries.

Cr. Side.

Job Expense	Newspaper Exp.	Bindery Exp.	Interest Disc.	Sundries.

There would be a general day book as well as a general journal in the office, but there would not be many entries in these, as *posting to the ledger would be done direct from foreman's blotters, from the Cash-Book, from the Invoice-Book and from the stubs of the Check-Books, and perhaps from the Bill-Books.

We do not think that it is well to burden a Ledger with details and items; these are already in the books of original entry, and it is just as easy for a bookkeeper, when making out accounts, to get the items from them as from a Ledger.

The principles and methods of accounting set forth and applied in the foregoing details of a printing establishment are applicable in the bookkeeping for any manufacturing concern.

A form of Voucher that may be used to advantage in making payments for a Company like above and getting receipts :

It would be similar in size to an invoice. Fold it once for filing, and on the back have printed and written

THE TIMES PRINTING
and PUBLISHING Co.,
Limited, of Toronto Junction.

Voucher No. 839

FROM

W. D. DAWSON,
Montreal.

Given Jan'y 21, 1908.

(Auditors' Initials).

* See page 138, "Posting Direct to the Ledger."

The Times Printing and Publishing Company, Limited, of Toronto Junction, Ont.

VOUCHER No. 839

\$360.20

Dated at Toronto Junction, January 20th, 1908.

PAYABLE TO W. D. DAWSON, MONTREAL, FOR INVOICE OF JANUARY 15TH,
1908, LESS 5% CASH DISCOUNT.

DISTRIBUTION TO LEDGER ACCOUNTS.

Job Work.....	\$ 105	00	Payment approved,
News.....	150	60	G. A. McCLATCHIE,
Bindery Work.....	104	60	Secretary.
			Cheque No. 3420 issued for \$342.19
			Signed by
			L. K. GRANT,
			PRESIDENT.
			Countersigned by
			I. L. MOORE,
Total....	\$ 360	20	Treasurer.

Received from the TIMES PRINTING & PUBLISHING CO., LIMITED, of Toronto Junction,
the amount stated above, three hundred and sixty 20/100 dollars, less 5% cash dis. = \$342.19.

W. D. DAWSON.

Dated at Montreal, Que., January 21, 1908.

DUTIES ON GOODS.

The expenses of running the Government of Canada are largely met by the revenue derived from duties imposed upon goods imported from other countries. These duties are collected by the Customs Department, through the various Custom Houses scattered throughout the Dominion. The customs tariff is created by Parliament, and is liable to change from session to session. The existing Tariff Schedule may be bought from or ordered through any stationer. There are two methods of imposing duties, namely, *ad valorem* and specific; the first is according to the value of the article as shown in the invoice, or as appraised by the custom officers; the other is upon the quantity, *i.e.*, so much upon the measurement or weight, irrespective of the value. Some goods are taxed both *ad valorem* and specific duty.

When ordering goods from a foreign country, ask for the invoice in duplicate, and that it be certified correct by the exporter; the law requires this.

The original invoice must be left at the Custom House when passing the entry for the goods.

You speak of goods as being in bond until the entry has been passed at the Custom House, the duty paid and the goods examined. The forms used in passing entries give the name of the importer, the transportation route, the place of purchase, the description of the goods, quantity and value, the marks and numbers on the packages, the rate and amount of duty. On the back, an affidavit is made that the invoices produced are not fraudulent, and that nothing has been done or concealed by which the Government could be defrauded. The forms are made in duplicate, one being forwarded to Ottawa. From the forms, the department makes up yearly the quantities of goods imported into the Dominion. The importer may either pass his own entries or employ a broker, who will act for him under power of attorney. Any one may act as a Customs broker; the position is not an appointment of the Government; it is self-constituted.

Many importers have bonded warehouses on their own premises, in which goods are stored, and remain in the custody of the Custom House officers until such time as the owner may desire to take them out of bond and pay the duty. For this privilege a license must be obtained from the Government and an annual fee paid. Over such warehouses the sign, "E. R., Bonded Warehouse, No.—," is placed. An examining warehouse is an adjunct of the Custom House, where goods are sent on arrival for examination.

In Canada, Consuls' certificates are not required at the Custom House when passing entries; but in the United States they are. When exporting goods to the United States the exporter must obtain a certificate from the United States Consul of the district, which must be produced at the American Custom House when entering the goods. The certificate costs \$2.50, or, if the Consul makes it out, \$3.00. From the fees the Consul's salary is paid. The peculiarity of this arrangement is that the United States Government maintains its Canadian consular service at the expense of Canadian exporters.

The amounts paid for duties are charged to Merchandise account, because the duty is part of the cost. On the same principle the sums paid for freight and cartage may be charged to Merchandise account. It is usual, however, to keep a Freight account and close it at the end of the year, either into Merchandise or Loss and Gain.

There is an Excise Duty on some articles manufactured within the Dominion collected by the Inland Revenue Department of the Government, through the Inland Revenue Offices scattered throughout the country. The articles manufactured in bond and which pay an excise duty are: all kinds of spirits and tobacco, petroleum oil, and vinegar. Up to a few years ago stamp duties were imposed upon promissory notes and bills of exchange. These have been abolished.

BOOKKEEPING FOR BRANCH STORES, BRANCH FACTORIES AND AGENTS.

BRANCH STORES.

For example, you have a branch of your business in Kingston, Ont. You send goods to it from the main establishment in Belleville, and you also buy for it direct. For the goods sent from the Belleville stock, you will make

Kingston Branch Dr.

To Mdse.

for the actual cost, including freight or other charges, as shown on the invoice you will send.

For the goods bought for the branch (either by it or you) and shipped to it direct by the firm from which they were purchased, you will make

Kingston Branch Dr.

To the firm from whom purchased.

It is understood, of course, that the Belleville house is to settle with the firm from which the goods were bought, and it will receive the invoice, a copy of which will be sent to the branch.

As we charge the branch with any value we send to it, or cause to be sent, so we credit it with any value received from it. We will receive remittances by bank draft from it at stated periods. For these we make :

Cash Dr.

To Kingston Branch,

Or if notes,

Bills Rec., Dr.

To Kingston Branch,

We will receive goods from it occasionally. For these make :

Mdse. Dr.

To Kingston Branch.

The branch will keep its own regular set of double entry books, and submit its balance sheet yearly to the main house. For the net gain shown at the end of each year you will make :

Kingston Branch Dr.

To Loss and Gain,

Or, if it should unfortunately show a loss, make :

Loss and Gain Dr.

To Kingston Branch.

When this has been done, the amount brought down on the debit side of your ledger account with the branch will be your net investment in the branch, and will agree with the amount brought down on the credit side of your account in the branch's ledger, showing the amount of your capital therein invested.

SMALL BRANCH FACTORIES.

Men engaged in the Produce trade often have small factories in numerous places for evaporating and canning fruits and vegetables, but cannot afford to keep a competent bookkeeper at each one. In that case keep one account in the head office ledger for *each* branch, charge each branch's account with every item of that particular branch's cost, including raw material, fuel, wages, rent, taxes, etc., and credit it for all remittances of cash and notes and with sales on account and the inventory at the end of the year. When each branch's account has been posted for the season, it will show either loss or gain, and be closed accordingly into the general loss and gain account. The man in charge of each branch should, of course, be competent to keep a cash-book and day-book.

DEALING WITH AGENTS.

If the dealings with agents be confined to cash transactions, make the

Agent at.....Dr.

To Cash.

for money entrusted to him direct by you.

Require him to keep a cash-book, showing cash received from all sources, and the amounts paid out; and send in a debit and credit statement of cash in detail, or under summarized headings at regular intervals.

For cash accompanying the statement received from him make,

Cash Dr.

To Agent at.....

and journalize the balance of the items on the statement as follows:

Agent at.....Dr.

To the accounts representing the various
sources from which he received Cash.

and then make:

The various accounts for which he made disbursements Dr.

To Agent at.....

The amount at his debit in your ledger will correspond with his balance of Cash on hand.

IF MERCHANDISE AS WELL AS CASH enters into your dealings with an agent, make him Dr. to Mdse. or Cash as you entrust him with them. Make Mdse. or Cash Dr. to him as you receive these from him. If he sells goods on account, with your sanction, make the parties (or Bills Receivable if he takes notes and turns them over to you) debtor to him. For the expenses you allow him, or the salary, or the commission, make the account debtor to him. In order that your dealings with him, and his dealings with others for you, shall be intelligently recorded in your books, require him to furnish statements at regular intervals.

HOW TO ARRIVE AT A JUST SETTLEMENT OF PARTNERS' ACCOUNTS WHERE BOOKS HAVE NOT BEEN KEPT BY DOUBLE ENTRY.

In the dissolution of partnerships, the books of which have been kept by single entry, there is often difficulty experienced by the parties concerned in arriving at a just settlement. They have little or no knowledge of the principles of accounting, and, in consequence, proceed on the wrong lines in finding a solution.

Any intelligent person will be able to understand the following explanations and illustrations, and apply the principles involved in effecting such settlement.

When consulting an accountant on a matter of this kind, he will or should ask the following questions:

How much did each partner invest? How much did each partner withdraw? What is the sum total of the present resources? What is the total sum of the present liabilities?

These questions present to your mind the absolute necessity of keeping accounts in the Ledger to show each partner's investment and each partner's withdrawals (whether money or goods), as well as personal accounts with those who become indebted to you and those to whom you become indebted. With such record in the Ledger the matter of adjusting the settlement is simple. Begin by making a statement of resources and liabilities. If the sum of the resources exceeds the sum of the liabilities, the difference is the present worth or capital. Example:

	RESOURCES.		LIABILITIES.	
Merchandise, as per inventory.....	\$10500	00		
Bills Receivable, Notes on hand	700	00		
Office and Store Furniture, as per inventory	300	00		
Cash	260	00		
Personal accounts owing us.....	1500	00		
(taken from the Ledger.) Show each on a line by itself.				
Bills Payable, as per Bill Book			\$1600	00
Personal accounts owing by us			720	00
(taken from the Ledger.) Show each on a line by itself.				
	\$12260	00	\$2320	00

The resources amount to.....\$12260 00

The liabilities amount to..... 2320 00

The firm's present capital or worth is..... \$9940 00

Now go to the Ledger and see the record of investments and withdrawals of each partner.

Dr. JOHN JONES' CAPITAL ACCOUNT.

Cr.

This side shows his
withdrawals (of money,
goods or value of any kind).

\$700 00

This side shows his
investment (of money,
goods or value of any kind).

\$4000 00

Dr.

ROBERT BROWN'S CAPITAL ACCOUNT.

Cr.

This side shows his withdrawals (of money, goods or value of any kind).	\$600	This side shows his investment (of money, goods or value of any kind).	\$4000 00
Deducting Jones' withdrawals from his investment, shows that his net investment is			\$3300 00
Deducting Brown's withdrawals from his investment, shows that his net investment is.....			3400 00
		Total net investment is	\$6700 00

You see now that \$6700 was the actual investment by the partners, and as the present worth or capital, as shown above, is \$9,940, it follows that the increase must have come by the gain made in the business. So, to find the gain, we subtract the actual investment from the present worth :

Present worth.....	\$9940 00
Actual investment.....	6700 00
Net gain.....	\$3240 00

If the gain is to be shared equally, then divide \$3240 by 2, and that will show a profit of \$1620 for each one; when you credit Jones' account with the \$1620 it will show his present capital to be \$4920; and when you credit Brown's account with the \$1620 it will show his present capital to be \$5020.

The complete statement you can now make out as follows :

STATEMENT OF RESOURCES AND LIABILITIES OF
JONES & BROWN. (Date.)

	RESOURCES.		LIABILITIES.	
Merchandise, on hand as per inventory.....	\$10500	00		
Bills Receivable, Notes against others.....	700	00		
Office and Store Furniture, as per inventory	300	00		
Cash, amount of money on hand.....	260	00		
Personal accounts owing us.....	1500	00		
(Show each one on a line by itself here, or make out a separate list of them.)				
Bills Payable, our notes unpaid			\$1600	00
Personal accounts owing by us.....			720	00
(Show each one on a line by itself here, or make out a separate list of them)				
John Jones invested.....	\$4000	00		
“ “ withdrew.....	700	00		
“ “ net investment.....	\$3300	00		
“ “ gain.....	1620	00		
“ “ present capital or worth.....			4920	00
Robert Brown invested.....	\$4000	00		
“ “ withdrew.....	600	00		
“ “ net investment.....	\$3400	00		
“ “ gain.....	1620	00		
“ “ present capital or worth.....			5020	00
	\$12260	00	\$12260	00

Go now to the ledger and credit each partner with his gain, then balance each one's account, and bring down the balance on the credit side. The partner's accounts will now be as follows, and will agree with the exhibit of their accounts made in the above statement:

JOHN JONES' CAPITAL ACCOUNT.						<i>Cr.</i>	
<i>Dr.</i>							
	To Withdrawals,	700	00		By Investment,	4000	00
	“ Balance,	4920	00		“ Gain,	1620	00
		5620	00			5620	00
				By Balance (present worth),		4920	00

ROBERT BROWN'S CAPITAL ACCOUNT.

	To Withdrawals,	600	00		By Investment,	4000	00
	" Balance,	5020	00		" Gain,	1620	00
		5620	00			5620	00
				By Balance (present worth),	5020	00	

The study of the work given above to illustrate the settlement of the partnership, will be of great service to the student in mastering the principles involved in changing from single to double entry. They are in all respects the same.

You can see that every step necessary to change from single to double entry has been taken, except to open accounts in the Ledger with Merchandise, Bills Receivable, Office and Store Furniture, Cash and Bills Payable, and charge or credit their respective amounts.

CONTINUOUS BALANCE LEDGER.

We illustrate a Continuous Balance Ledger in the three accounts following. The first represents an account in a wholesale merchant's Ledger with a customer; the second represents an account in a customer's Ledger with a wholesale merchant.

The third account represents an account in a banker's Ledger with a customer.

As will be at once apparent, the object of this form of account is, that the condition of the account, or in other words the balance, whether debit or credit, may be always shown at a glance. In the first two examples the balance is carried out at the end of each month; of course it could be carried out as each transaction is recorded if this were desirable. In the third example the balance is changed as each transaction is recorded, because the Ledger keeper in a bank must know at a glance the state of each customer's account in order to accept cheques expeditiously and with safety.

FORMS OF CONTINUOUS BALANCE LEDGERS,
MERCHANT'S MONTHLY BALANCE SHOWN.

W. B. ROBINSON.

DATE.		FOLIO.		DR.		CR.		PARTICULARS.	DR.	BAL.	CR.	BAL.
1908												
June	29	129		187	20			To Mdse.,				
"	30	130		300	00			" "	487	20		
July	5	68				400	00	By Cash,	87	20		
Aug	15	133		158	60			To Mdse.,				
"	20	136		50	00			" "	295	80		
Sept	5	139				87	20	By Bills Receivable,	208	60		
"	9	72				202	35	" Cash,				
"	"	71				6	25	" Discount,	000	00		
"	28	146		38	20			To Mdse.,				
"	30	150		62	10			" "	100	30		

A. C. BAKER.

Date.		Folio.		Dr.		Cr.		PARTICULARS.	Dr.	BAL.	Cr.	BAL.
1908												
June	5	180				560	80	By Mdse.,				
"	7	182				320	60	" "				
"	17	186				60	75	" "			942	15
July	3	193	942	15				To Bills Payable,	000	00		
"	16	200				383	20	By Mdse.,				
"	17	201	50	60				To Mdse. ret'd,			332	60
"	20	205	315	97				" Bank,				
"	"	205	16	63				" Discount,	000	00		
Sept	25	301				105	90	By Mdse.,				
"	30	305				232	04	" "			337	94

DEPOSIT LEDGER OF A BANK.

SHOWING CONSTANTLY THE BALANCE OF THE CUSTOMER, EITHER DR. OR CR.

THE RITCHIE CO., LIMITED.

Date.		Folio.		Dr.		Cr.		PARTICULARS.	Dr.	BAL.	Cr.	BAL.
1908												
June	3	585				1600	00	Deposit,			1600	00
"	3	586	200	00				Cheque,			1400	00
"	4	381				460	70	Proceeds of Discount,			1860	70
"	12	393	860	00				Note due to-day,			1000	70
"	15	393				99	75	Collection (T. Jones),			1100	45
"	15	596	920	00				Acceptance due to-day			180	45
"	16	602	300	00				Cheque,	119	55		
"	23	610				820	00	Deposit,			700	45

GOOD WILL.

The Good Will of a business is its value as a going concern (apart from its stock in trade, debts owing it and other assets); which includes its reputation and business connections, established after many years of labor and skill. In the 7th Set, at page 88, the proprietors of a business sell out, and obtain as a consideration for the Good Will the sum of \$2,000, which is placed to the credit of Good Will account, and the account is closed into Loss and Gain.

The purchaser of a business who has paid a sum for the Good Will of the concern has acquired a consideration or recompense for his outlay. It is not, however, a resource or asset of his business, in the sense that it is available to pay debts; nor yet is it an expense of his business. We recommend that the amount paid for Good Will be charged to Good Will account, and that the account be reduced at the end of each year by, say, 25 per cent., until it disappears entirely from the Ledger. The Journal entry each year would be

Loss and Gain

To Good Will.

For 25 % of amount paid for Good Will written off.

Joint Stock Companies engaged in mining and in some lines of manufacture that are extraordinarily profitable, sometimes issue what is known as "Watered Stock" against a fictitious asset called "Good Will." They make Good Will Dr. to Capital Stock, and issue shares to the existing shareholders *pro rata* for the amount. In the balance sheet of the Company it ought to be clearly shown that this asset is a fictitious one.

THE LOOSE LEAF LEDGER SYSTEM.

See illustrations at pages 315 and 316.

Within a decade nothing has been offered to the business public of more utility than the Loose Leaf System. To-day it is fully recognized as an economical method of record, and thousands of users evidence its value, and show appreciation of it.

THE SYSTEM AND HOW IT IS USED.

The primary object of the Loose Leaf System of accounting is the eliminating of all surplus or dead matter from the Ledger, or Current Binder, the book constantly in use, and to overcome the periodical necessity of opening new books or transferring accounts, and the consequent labor and loss of time thereby.

For the purpose of this system the Ledger accounts are classified as follows: "Current accounts," or those that are alive and active, and "Transferred accounts," or such as have become inactive or closed.

Thus the accumulation of closed or dead accounts is entirely overcome. There is a decided advantage in having the Current Ledger contain nothing but live or active accounts since it greatly facilitates reference and reduces the labor of handling, and making out statements and trial balances.

The Loose Leaf Ledger is so constructed that each leaf is separate and entirely independent of all others, making it possible to remove one or more as the necessity may demand. The accounts are generally arranged in the order which they follow in the alphabet, i. e., the index leaves are interspersed

throughout the book, followed by their respective account leaves, bringing all of those commencing with A B and C, together in order. For instance, R. Adam would be Account No. 1 under A; J. Anderson, Account No. 2 under A; Bills Rec., Account No. 1 under B; Brown & Co., Account No. 2 under B; Capital, Account No. 1 under C; Cash, Account No. 2 under C; Carter's Limited, Account No. 3 under C, and so on.

Each additional leaf required for any one account is marked consecutively, Sheet No. 1, 2, 3 and so on. Just as in an ordinary bound ledger, the folios of an account appear on the upper out hand corner; the sheet number in the Loose Leaf Ledger appears on the inner side of the page at the top.

The activity or dormancy of any account does not in the least affect its relative position in the Ledger. Once an account is opened in the Ledger, it permanently retains the number originally assigned it in both the Current and Transfer Binders, making possible in a majority of instances reference to any desired account without recourse to the index.

Accounts that have, for some reason or other, been closed, and such leaves of active accounts as have become filled are taken out of the Current Binder and placed in the Transfer Binder under the same account number and style of indexing, where they remain for reference. Leaves of any certain account are always placed together in the Transfer Binder, thus the transactions of any particular account for years past are accessible for immediate reference by handling only one book and without turning to different parts of same.

When a leaf of any account in the Current Binder, being filled, is removed to the Transfer Binder, the leaf which follows, or is inserted, is given the same Account No. as the one just removed, but in the space provided for Sheet No. it is marked No. 2. When Sheet No. 2 is filled, it is placed in the Transfer Binder directly behind Sheet No. 1 of the same account, and the new leaf is marked Sheet No. 3.

The Transfer Binder is capable of expansion by the means of sectional posts being added.

Here it may be well to note that if any account which has been transferred as dead or closed should at any time be re-opened, it may be taken out of the Transfer Binder and re-placed in the Current Binder, where it becomes once more an active account.

In addition to the alphabetical method of indexing, the Loose Leaf Ledger can be arranged in sections according to travellers' routes or territory, numerically or in any other desired manner. Accounts may be classified in one or more books, such as Sales and Purchase accounts, City and Country accounts, etc., indefinitely without possibility of any class out-growing the allotted space, as new leaves can be inserted wherever needed. The same advantages as those detailed above apply as fully here.

One disadvantage of the Loose Leaf Ledger, compared with the bound Ledger, is that of placing only one account on a leaf. An account beginning with the same letter of the alphabet could not be placed on the same leaf which another account occupies, for it would interfere with the numbering of sheets and hamper reference to both accounts in the Transfer Binder.

Another disadvantage of the Loose Leaf Ledger is in its liability to be more easily tampered with than the bound, stitched ledger. Recent investigations of insurance companies and other corporations have revealed a horrible tendency by unscrupulous parties to tamper with and remove leaves from

Loose Leaf Ledgers in order that they might not serve as damaging evidence regarding dishonest transactions.

This could be overcome if the means of access to the Loose Leaf Ledger were properly guarded and protected in the same manner as the key to a cash box or the combination of a safe in the hands of a responsible person, say the head accountant.

However, this disadvantage is somewhat overcome in the Bank Seal Ledger, manufactured by the Copeland-Chatterson Co., of Toronto. This Ledger derives its name from its seal features. The patent seal and lock affords absolute protection to the Ledger. It permits of no tampering with the leaves after they have been inserted by the accountant, for in order to open the Ledger the key must be inserted through the paper seal, thereby revealing by the broken seal that the ledger has been interfered with. When the ledger is shut, a steel disc is pulled into position and locks automatically over the seal.

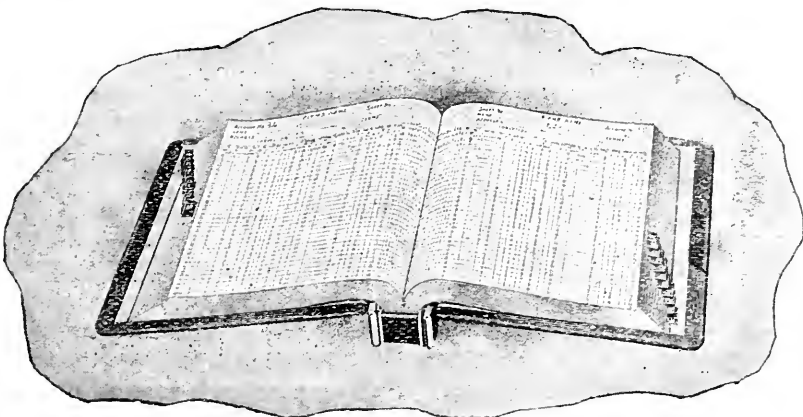
**Other Uses For
The Loose Leaf
System.**

Although originally designed solely as a system for ledger accounts, so many other means of employing this method have suggested themselves that to-day the field is practically unlimited. There may be many records in your office to which it can be profitably adapted.

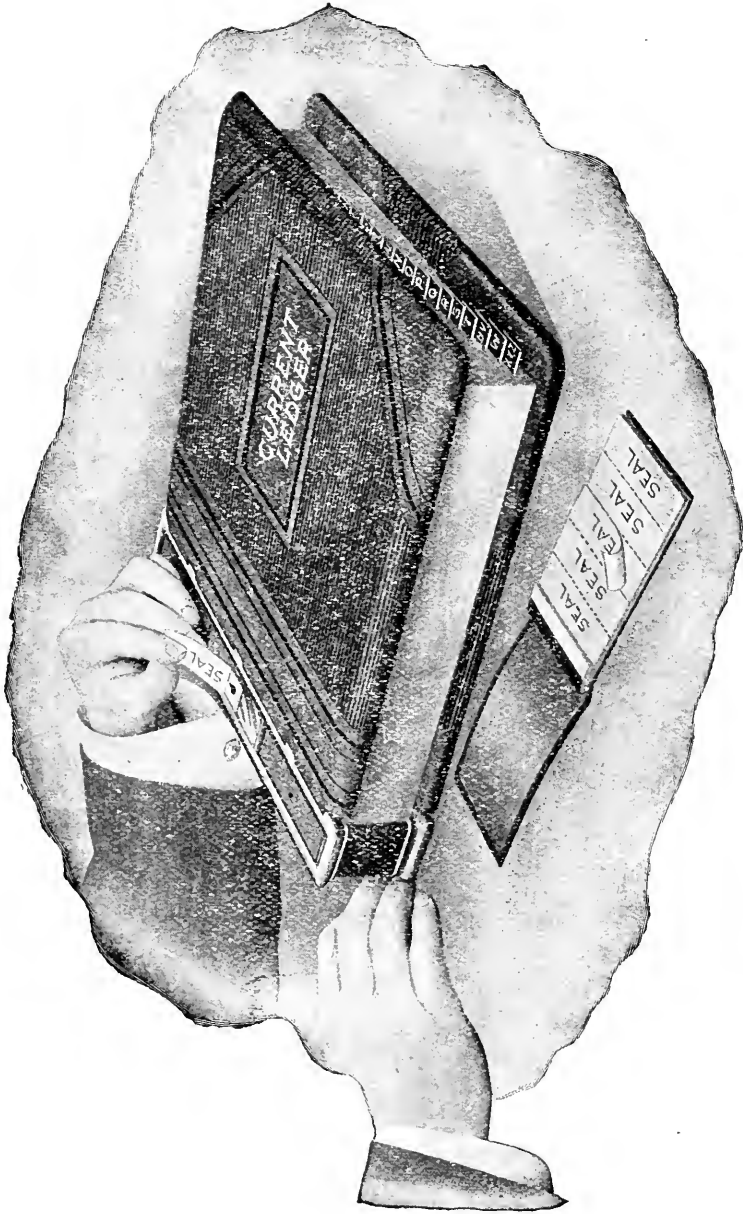
Among others the system has already been adopted for the following uses: Records of Warrants, Delinquent Tax Returns and Added Assessment Records for Cities, Interest Ticklers for Real Estate Loans, Price Books, Inventory or Stock Books, etc.

There is an important feature to be considered in the purchase of Ledgers of the loose leaf variety, and that is, that the Current Binder, at least, should be as secure in its leaf retaining properties when it is locked as would be a bound book, and the binder that gives a screw compression would generally be found the most satisfactory in this respect. Ratchet teeth and spring devices have mechanical disadvantages not easily overcome; springs will wear out and ratchet teeth do not permit of binding any closer than the limits allowed by the individual teeth. The ledger binder cannot be made too strongly or of too good material because it must out-wear bound ledgers, being in its nature perpetual.

This Loose Leaf Ledger method is growing every day, and the great majority of the Banking Institutions in the United States—to say nothing of the large Commercial Institutions—are using the system, and it is gradually creeping in to our Canadian Banking System, most of the banks at present using it extensively.



The Loose Leaf Ledger Open.



Illustrating Bank Seal Ledger or Current Binder, manufactured by The Copeland-Chatterson Co., Limited, of Toronto, Ont.

* The seal is placed over the key-hole. By inserting the key, thereby breaking the seal, and turning it to the right the covers automatically expand.

THE CARD LEDGER SYSTEM.

See illustrations at pages 318 and 319.

This ledger has been used for years by many of the largest commercial houses in the world in every line of business, in banks, insurance companies, public service corporations and many Government Departments, all of whom declare it to be a rapid, practical and economical system of ledger record.

Following is a brief outline of the working of the system:

The accounts are kept on cards filed on edge in a tray the same as in a card index, and arranged either numerically by account number, alphabetically, or by any other plan desired.

Guide cards guide the eye and the fingers instantly to the particular card desired, which can be taken out, the entries made and the card replaced, all in less time than is required to make an entry in an ordinary book ledger.

When the ledger is not in use the cards may be locked fast in the tray, by a rod running through holes punched in their lower margins and locked with a key, thus rendering them absolutely secure.

With the numeric plan an alphabetic card index is used in which each concern with whom an account is opened has a card bearing its name and account number. This is indexed only once, and is a perpetual ledger index, giving instantly any account number which is not remembered. No matter how often the account is opened or closed its number is never changed.

A new account is opened by taking a fresh ledger card, giving it the next highest number, and entering the name and number in the card index. This indexing never has to be done again.

An account never has to be transferred. When a ledger card is filled it is replaced by a new one bearing the same number. The ledger never has to be re-opened. It is actually a perpetual ledger.

Each account is distinct and separate from all others, and is all together, so that any part of it may be referred to instantly. A manager may obtain immediate information about any account without interfering with the book-keeper's routine.

In posting, the account card may be placed directly under the item to be posted. The bookkeeper does not have to carry any figures in his head. The error so common in book ledgers of posting to the wrong account is next to impossible.

In posting, checking or taking off statements and trial balances, the cards may be distributed among any number of clerks. The whole available force can work on the ledger at once, and the statements or balances be got out promptly without the unreasonable rush work often necessitated by book ledgers.

By means of a special tab or "signal" card, over-due accounts are so plainly indicated that they cannot be overlooked.

Dead accounts may be eliminated at any time, avoiding their constant handling, and reducing the bulk of the ledger to live accounts only. Each live account takes up only the exact space it requires in the ledger. The old cards take up little room wherever kept, and save the vault space necessary for old book ledgers partly filled.

A book ledger of 2000 accounts giving the same space as the Library Bureau Standard Ledger card would require a book 14 x 9 inches, 12 inches thick, and weighing about 18 pounds. It would have to be duplicated every year, the space it occupies doubled, all its live accounts transferred and re-indexed, and their numbers to some extent re-memorized.

The card ledger outfit for the same number of accounts takes up less space, does not have to be duplicated from year to year, and the accounts never have to be transferred, re-indexed or re-memorized.

The cards are strong, thick and substantial, and have a smooth, flat linen surface to write on. They are so readily handled that it is natural and easy to replace them instantly in their proper places without effort or inconvenience, and their absolute security under this system has been completely demonstrated by years of use by some of the most conservative corporations in the world.

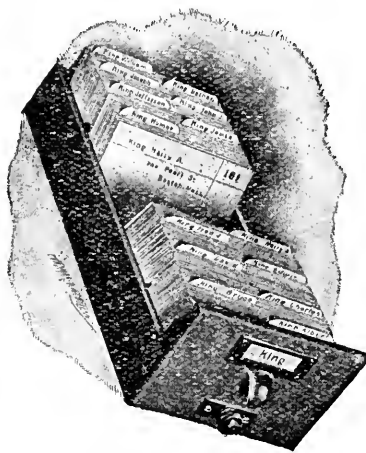
The first cost of installing this ledger is no greater than that of a book ledger of the same capacity, the expense for renewing it does not increase from year to year in anywhere near such a proportion, and the actual saving effected by it will in a short time more than pay for its cost.

The promptitude assured by this system is in itself a valuable consideration. Delay and uncertainty in getting out statements and trial balances are embarrassing and expensive. The mere saving of manual labor, as compared with the handling of heavy books, although a minor item, is well worth considering.

Whether the arrangement of the ledger shall be numeric, alphabetic or geographic is a matter of convenience for the concern using it, and does not in the least affect the principle and salient advantages of the system.

"Purchase" Ledgers may be maintained, under a different series of account Nos., in the same manner and in the same cabinet as the "Sales" Ledger.

The cuts shown here give an idea of the Library Bureau Ledger System, manufactured by The Library Bureau, 530 Atlantic Ave., Boston, Mass.



With the numeric plan, each account is located by a card bearing its name and number filed in an alphabetic card index. This indexing never has to be done but once.

CONDENSED SYSTEM OF BOOKKEEPING FOR RETAIL BUSINESS.

The *Principles* of Double Entry Bookkeeping being fully understood, the Accountant can choose the particular style he may think best adapted to the business in which he is engaged. The prime object should, of course, be efficiency, and if a short condensed plan will give this result it should be adopted.

The Six Column Journal method (see Set X.) is adopted by many retail houses, and it is admirably adapted for many lines of business; so is the plan of keeping a special column for credit sales of merchandise in the Journal, and posting them monthly in one sum to the credit of Merchandise account. (See first month of Set XI.) There are also the various methods of posting from Auxiliary Books direct, which large manufacturing and other establishments adopt.

We desire here to point out a system for a Retail Business other than those referred to, which we know by experience is thoroughly efficient and easily understood, its main features being keeping a Day-Book Index, and Journalizing Monthly.

The Books used are :

DAY-BOOK AND INDEX,	BLOTTER CASH-BOOK,
MONTHLY CASH-BOOK,	JOURNAL,
LEDGER,	BILL-BOOK,
INVOICE-BOOK.	

The DAY-BOOK should contain the plain history of all transactions, except those affecting Cash, as they occur during the day. It does not matter so much about the form of words used, if the transaction is stated clearly and fully. You will at the close of each day's business index the transactions. For instance, if John Adams, J. Brown and R. Cummings have bought goods on credit during the day, under the letters respectively A, B, C, you will place the names (if they are not already there by reason of former transactions) and Day-Book folio. If James McFarlane gives you his note in settlement of account, you will in the Index under the letters B. R. (Bills Receivable) place his name and Day-Book folio. If you give your note in favor of John MacDonald & Co., and accept a Draft of Galbraith, Christie & Co., you will under the head of the letters B. P. (Bills Payable) place these names and the Day-Book folio.

EXAMPLE OF DAY-BOOK INDEX.

ADAMS, JOHN.....	Folio 57, 63, 71.....	A.
BROWN, J.....	Folio 61.....	B.
CUMMINGS, R.....	Folio 60, 63, 70.....	C.
MACFARLANE, JAS.....	Folio 64.....	B. R.
GALBRAITH, CHRISTIE & Co.....	Folio 69.....	B. P.
MACDONALD, JOHN & Co.....	Folio 70.....	M.

When the Day-Book entries are Journalized, the fact will be shown in the Index by running the pen through the figures, thus: ~~10~~

The above is sufficient to indicate the method of Day-Book Indexing; circumstances may require you to vary it more or less.

The **BLOTTER CASH-BOOK** will be the ordinary form without special columns and should be balanced every night, and the cash checked. See Cash-Book for Set V.

The **MONTHLY CASH-BOOK** will be written up from the Blotter C.-B. at the end of the month, and will have special columns on each side representing the accounts for which money is most frequently received and paid out. See Cash-Book for Set XI.

In connection with the method we here recommend, some Accountants keep the Blotter Cash-Book only, and *Journalize* its transactions, as is done in the Municipal Set in this book. Either is right, adopt which you deem most convenient.

The **JOURNAL** will be written up monthly, and here you have the explanation why you index the Day-Book.

As there is an interim of a month from one Journalizing period to another, it is necessary that there should be an easy way of finding any particular transaction that has taken place in the meantime. For instance, Brown comes in to settle his account on the 20th of July, you first take the entries posted in the Ledger up to the 1st of the month; having written these on the bill, you take the Day-Book Index, and find whether any debits or credits (other than cash) are indexed to him for the current month; if there are, it will direct you to the folios of the Day-Book on which they are recorded.

When Journalizing, first deal with the transactions other than those of Merchandise. You might begin with Bills Payable, then Bills Receivable, and so on till all the transactions recorded in the Day-Book, except those of Merchandise, are Journalized, and then Journalize the credit purchases of Merchandise, and finally the credit sales.

If you put Cheques through the Cash-Book you should not Journalize them; but if you do not, you may either enter the Cheques from the stubs of the Cheque-Book to the Day-Book at the close of each day, or Journalize them from the stubs direct; in the example we pursue the latter course.

The Invoices may either be entered in the Day-Book to the credit of the parties from whom you purchase, as the goods arrive, or they may be kept on file till the end of the month and Journalized direct; the latter is the plan pursued in the example. Put the folio of the Journal upon the invoices in large figures near the date, in red ink, and either paste them into the Invoice-Book or file them away, in either case in consecutive Journal Folio order.

JOURNAL.

Belleville, December, 1908.

Ledger Folio.									
192	Sundries Dr. to Bills Payable.								
260	John McDonald & Co.,	D. B. folio 59	\$420	96					
249	Sampson, Kennedy & Gemmel,	" " 60	209	50					
232	Thos. Wall & Sons,	" " 64	320	90					
241	Thos. May & Co.,	" " 72	470	00					
					\$1421		36		
159	Bills Receivable Dr. to Sundries.								
411	A. Forin,	D. B. folio 58	\$79	20					
448	R. W. H. Duncan,	" " 62	159	60					
491	W. R. Lett,	" " 69	340	00					
					578		80		
150	Sundries Dr. to Bank.								
23	Merchandise,	For Cheque 180	\$75	00					
141	Expense.,	" " 181	24	80					
192	Bills Payable,	" " 182	490	00					
250	John Wilson & Co.,	" " 183	159	20					
192	Bills Payable,	" " 184	223	20					
					972		20		
23	Merchandise Dr. to Sundries.								
263	T. J. Claxton & Co.,	asper Invoice of Dec. 1, 1908	\$459	60					
263	Ditto	" " " 2, "	272	50					
263	Ditto	" " " 20, "	74	00					
270	Young, McNaughton & Co.	" " " 3, "	160	00					
281	Ogilvie & Co.,	" " " 7, "	342	40					
					1308		50		
23	Sundries Dr. to Merchandise.								
		\$42.20 \$10.90 \$4.00 \$9.60							
450	A. Robertson, D. B. folios	79, 61, 68, 72,	\$66	70					
583	J. Tennant,	" " 60,	27	40					
		\$39.20 \$5.60 \$41.60							
476	E. Gillen,	" " 61, 64, 70,	86	30					
		\$10.90 \$21.20							
458	M. C. Wild,	" " 64, 70,	32	10					
471	H. Smith,	" " 63,	29	20					
					241		70		

THE LEDGER statements and method of closing the accounts of this Set do not differ from those already given, and therefore require no explanation.

THE BILL BOOK will be kept as in the example given in connection with Set IV. We would here simply emphasize the necessity of entering bills in the Bill Book, as well as in the Day Book, as they are given and received. If this be done, and you look at your Bill Book daily, in order to be aware of and advise your customers of paper coming due, and have knowledge of, and provide for your own bills maturing, there will be no danger of paper being dishonored and protested without your knowledge.

For an INVOICE BOOK we recommend a book about 12 x 21 inches of strong manilla paper, well bound, containing about 150 pages. Into this the invoices should be pasted as they are Journalized. As all that is necessary to see when looking for an invoice in the Invoice-Book are the name and Journal folio, you should fold the invoice so as to occupy as little space as possible.

ANOTHER CONDENSED SYSTEM OF BOOKKEEPING FOR RETAIL BUSINESS BY THE USE OF A SALES LEDGER.

In large retail houses, that do a credit business, the plan of keeping a Sales Ledger is found to be a convenient, quick and direct method of dealing with customers' accounts.

Instead of charging sales in a Day Book or Blotter, they are entered directly on the debit side of the customer's account in the Sales Ledger in detail.

The advantage of this plan is in the facility it affords for making out accounts, as every item is before the bookkeeper without the necessity of referring to any other book.

THE SALES LEDGER IS SOLELY FOR PERSONAL ACCOUNTS WITH CUSTOMERS WHO BUY ON CREDIT. The General Ledger is kept besides, and one account in it, called "Sales Ledger accounts," represents all the accounts in the Sales Ledger. The debits to this account in the General Ledger are the monthly summaries of sales as shown in the several accounts in the Sales Ledger. The credits to this account are the monthly summaries of credits as shown in the several accounts in the Sales Ledger. The debit balance of this account, when the summaries have been debited and credited as explained, should correspond with the total debit balances of all the accounts in the Sales Ledger.

At the end of each month, or of a longer period, if desired, sum up the merchandise charged to the various accounts in the Sales Ledger, and make a Journal entry as follows:

Sales Ledger accounts Dr.
To Mdse.

For the sales of Mdse on acct. as shown in the Sales Ledger for Jan., 1908, post to the debit of the former account and to the credit of the latter account in the General Ledger.

Now deal with the credits of the personal accounts. First ascertain the sum of the Mdse. returned or allowed and credited in the Sales Ledger and make a Journal entry as follows:

Mdse Dr.
To Sales Ledger accounts.

For goods returned in Jan., 1908, as shown in the Sales Ledger.

The other credits will be those of cash payments and settlements by notes and acceptances. For the Cash payments, keep a special column on the debtor side of the Cash Book (see an illustration of this in the C. B. at page 209), the total of which at the end of the month you will carry in one sum to the credit of "Sales Ledger accounts" in the General Ledger, but each individual payment will be credited to its proper account in the Sales Ledger each day. The settlements by note or acceptance were duly recorded in the Bill Book, and at the same time credited to the customer in

his acct. in the Sales Ledger, so you have simply to ascertain the total sum of notes and acceptances received during the month and make the following Journal entry :

Bills Receivable Dr.

To Sales Ledger accounts,

For amount received on personal accounts for Jan., 1908, as shown in Bill-Book and Sales Ledger.

The methods indicated above are illustrated in the following transactions with persons, as shown in the Ledger entries for Jan., 1908, and the Journal entries which follow :

W. J. OSBORNE.		Dr.	Column for Monthly Totals of Debits.		Cr.
1908					
Jan.	2 To Suit \$15.00, Hat \$3.00	A 18 00			
"	8 By Hat returned			A 4 00	
"	10 To 4 yds. Tweed at 70c.	A 2 80			
"	12 " Trimmings	A 1 50	22 30		
Feb.	10 By Cash			A 19 30	
MRS. R. BAKER.					
1908					
Jan.	6 To 3 Feathers at \$1.00, \$3.00, Shields, 30c., Corsets \$1.50	A 4 80			
"	20 By allowance on Feathers			A 1 00	
"	23 To 10 yds. Dress Goods at 50c.	A 5 00			
"	30 " Making Dress	A 3 00	12 80		
Feb.	20 By Note at three months			A 11 80	
MRS. C. J. ROSS.					
1908					
Jan.	7 To 10 yds. Silk at \$1.25, \$12.50, Trimmings 3.40	15 90			
"	10 To 2 Vests, at 85c.	1 70			
"	18 " 1½ yds. Velvet at \$2.00	3 00			
"	26 " 1 pair Curtains	15 00	35 60		
"	30 By Cash on account			20 00	
MISS J. BELL.					
1908					
Jan.	2 To Dress Pattern	A 12 50			
"	2 " 8 yds. Cotton at 20c.	A 1 60			
"	15 " 15 yds. Dress Goods at 20c.	A 3 00			
"	27 " 9 yds. Silk at \$1.50	A 13 50	30 60		
"	30 By 2½% discount on amount of acct.			A 76	
"	30 " Cash in settlement			A 29 84	
J. C. MARSH.					
1908					
Jan.	16 To Suit \$16.00, Tie \$1.00, Drawers \$1.00	18 00			
"	30 " Umbrella \$4.50, 3 pairs Socks, 50c., \$1.50	6 00	24 00		

The letter A used above is to indicate settlements, without ruling. See also page 284.

The total sales charged in the Sales Ledger in Jan. (see middle column above) amount to \$125.30. Make the following Journal entry :

Sales Ledger accounts Dr.	\$125.30
To Merchandise,	\$125.30

The total of goods returned, of discount and allowance is \$4.76. Make the Journal entry :

Merchandise Dr.	\$4.76
To Sales Ledger accounts,	\$4.76

The cash received having been debited in the Cash-Book in a special column and credited to the individual accounts in the Sales Ledger, you will now foot up the special column and carry the amount (without a Journal entry) from the Cash Book to the credit of Sales Ledger accounts in the General Ledger.

You have now to deal with the notes and acceptances. Find the total of these from the Bill-Book (checking them with the Sales Ledger entries) and make the Journal entry :

Bills Receivable Dr.	\$11.80
To Sales Ledger accounts,	\$11.80

The feature that will commend the above plan is, that the double entry system is constantly maintained, and consequently a continuous check upon the work is secured; and by trial balance it can be proved each month.

EXPRESSIONS REGARDING "REVENUE" AND "CAPITAL" EXPLAINED.

AUTHORIZED CAPITAL means the amount of stock that may be issued by a Company under its charter, which it cannot exceed.

SUBSCRIBED CAPITAL means the amount of stock that persons have agreed to take and pay for, as shown on the Stock List.

PAID-UP CAPITAL means the total amount paid upon the Stock subscribed for.

Revenue Account. The expression "Revenue account," as used and understood by Accountants, does not refer to Cash received and disbursed. It has reference to the profits and losses as they are finally exhibited under one ledger heading after being transferred from the working accounts. A statement from the Revenue Account would be a summary of income earned, including both that which has been realized and that which has not yet been realized; and expenses of operating, including those already paid and those incurred but not yet paid.

A statement of Receipts and Disbursements is simply a statement showing cash received and paid out.

There is a sense in which the expression "Capital account," used in Bookkeeping, does not refer to *the* Capital account. For example, you hear it said: "That item should not have been charged to 'Capital,' but to 'Revenue,'" which means that the item was not what might be considered an asset or resource, but an item of expense or loss. The following clipping from a newspaper is *apropos*:

The financial success of the great Manchester ship canal, about which there has been much doubt, appears to be assured. A report from Manchester states that the revenues from tolls and dues for the five months ended May first last were \$33,701, which more than covered all expenses connected with the traffic including wages, salaries, and stores, rates, and a full proportion of office expenses. Maintenance was not included, and until the work is complete, all outlay on works will be charged *against capital*.

Expenditure on "Capital account" means outlay on things that are regarded as assets, which is charged to the respective accounts that represent those particular resources (not to one account, as the expression "charge to Capital account" would imply), and will remain at the debit of the accounts until they are disposed of. On the other hand, expenditure on "Revenue account" refers to the outlay for expenses, or the cost of working. The items are charged to their respective accounts, but at the end of the year the balances at the debit of these accounts are transferred to the debit side of the Profit and Loss account, and are thereby charged to (or, if you like, against) Revenue. Occasionally at the inception of a company, preliminary legal and other expenses are regarded as capital expenditures for a few years, and are allowed to remain charged to their respective accounts; but they should be written off by degrees yearly, until they finally disappear from the Ledger.

We were recently asked this question: "Is Capital account a resource or a liability?" Our answer was, "The Capital account shows the liability of the business to the owner of it, if the credit side is the larger at the end of the year; if the debit side is the larger at that period, it shows that the owner is indebted to the business."

MERCANTILE AGENCIES.

Mercantile agencies have become indispensable in the world of commerce. It is not likely that business will ever be done entirely without credit, and so long as merchants sell goods on time, just so long will they require the aid of mercantile agencies to furnish information in regard to the financial standing of traders.

The prominent Mercantile Agencies of Canada and the United States are Bradstreets and R. G. Dun & Co. Each agency publishes twice a year a Reference-Book, which is a complete directory of every person, firm and company engaged in trade throughout the Dominion; arranged by provinces and cities, towns and villages, in alphabetical order. Opposite the name of

each person, firm and company, is the business carried on, with certain letters and figures which denote the agency's estimate of the capital and worthiness of credit.

For example, you have an order for goods from a firm in a distant city, of which you have no accurate knowledge. You are a subscriber to one or both of the mercantile agencies. You take down the Reference Book, turn to the city and find the name, opposite which (in R. G. Dun & Co.'s) are the letter E and the figure 2; turning to the Key to ratings in front of the book, you find that E stands for an estimated capital of \$20,000 to \$40,000, and the figure 2 indicates good credit.

How is the information obtained upon which the rating is based? you naturally ask. Through correspondents in every locality, who are paid to make reports upon traders, in respect to the matters that affect them as business men.

In addition to the ordinary information given in the Reference-Book, special reports can be obtained by subscribers from a mercantile agency regarding any firm, but an additional fee is required for this. The annual subscription to an agency is \$25; \$10 extra is charged subscribers who take the *Daily Bulletin*, which is a record of daily business changes, and of the Bills of Sale and Chattel Mortgages given, and Writs issued and Judgments given by the courts.

Should a mercantile agency do any one an injustice by publishing incorrect reports, it is liable to an action for libel and the payment of heavy damages, as in the celebrated case of *Carsley vs. Bradstreets*.

TRUSTS COMPANIES.

Trusts Companies are of recent origin, and have been called into existence because of the necessity that exists for something more secure than the chance leisure of private individuals for carrying out an important trust, a will for example.

It is of the deepest moment to every man who leaves any property at his death to be satisfied that the disposition which he may make of it by will, and the trusts which he may create, will be faithfully and economically carried out, and that those for whom he is solicitous to provide will not be exposed to the losses, delays and uncertainties which so frequently attend the employment of ordinary executors or trustees. These risks can be avoided and the intention of the testator effectually carried out by appointing a Trusts Company to act in these capacities.

Prior to the establishment of Trusts Companies, a man, when making his will, had no alternative but to appoint an individual or individuals as his executor or executors; or if a man died intestate, the courts were obliged to appoint individuals as administrators. Persons so appointed might be dis-

honest, or incompetent, or careless; or, supposing them to be fitted in all respects for the trust, they might not have time to spare from their own business to do it justice; while over and above all these possibilities, there was no guarantee of continuity, as the individuals appointed might die.

Trusts Companies will undertake a trust of almost any kind; and, as they exist solely for the object of attending to matters entrusted to their care, and their existence does not depend upon the life of any individual or individuals, the risk involved in the appointment of private persons, as indicated above, is, when such corporations are appointed, entirely avoided. They will act as Executor, Administrator, Receiver or Guardian, and as agent in any capacity. These various positions and duties are assumed by the company either under Deeds of Trust, Marriage or other settlement, executed during the lifetime of the parties, or under wills, or by appointment of the court. They also undertake the investment of money in real estate mortgage securities, collecting and remitting the interest for a moderate charge. They will either invest the money as agent in the usual way; or, should the investor prefer, they will for an extra charge guarantee the principal and the prompt payment of the interest on fixed days, yearly or half-yearly.

Trusts Companies are found useful by municipal corporations for managing sinking funds, and by companies appointing trustees on behalf of creditors, and in guaranteeing or underwriting bonds.

The first company of this kind established in Ontario was the **TORONTO GENERAL TRUSTS COMPANY** (now known as the **TORONTO TRUSTS CORPORATION**), which has been in existence 20 years, and which has been not only successful from the shareholder's point of view, but has proved to be both trustworthy and invaluable in the multitudinous duties it has been called to perform.

GUARANTEE COMPANIES.

Guarantee Companies (called also Fidelity or Surety Companies) exist for the purpose of granting **BONDS OF SURETYSHIP** for the faithful discharge of the duties of employees in positions of trust. They obviate the necessity which formerly existed for these dangerous responsibilities being assumed or continued by Private Individuals, and afford the Employee an opportunity to be his own independent surety if he be a reputable person, and so to establish his reputation in the most satisfactory manner to his employers and himself.

The Bonds of such companies are accepted and preferred by Governments, Banks, Railways, Insurance Companies, Municipal Councils, and Commercial Institutions generally, in place of Private Bonds.

The oldest, largest, and best known Guarantee Company in America is the **GUARANTEE COMPANY OF NORTH AMERICA**, head office, Montreal. Its Bonds are accepted throughout the American continent. To secure its Bond, you will make application through a local agent, or direct to the head office; in

which give the fullest particulars of yourself and the position in which you are to be bonded, and give the names of several people (not relatives) who know you thoroughly, to whom the company can apply for information regarding your antecedents, character and habits. When the application has been received, the Company will send a printed form to the persons you have named, in which a comprehensive list of questions is asked, and from the answers to which the directors will determine whether you are worthy of the Company's confidence and guarantee. The rate charged by the Company is about one per cent. per annum upon the sum of the bond. If an employer should hide a dishonest act of a person whom the Company had bonded, and subsequently a large robbery takes place, the Company would not be responsible.

Just as a Life Insurance Company would insure your life, or a Fire Insurance Company would insure your property, so a Guarantee Company will insure your character. Practically, then, the business of such a company is insurance—of character.

INSURANCE.

Fire. Fire Insurance is a contract of Indemnity. That is to say, only the actual loss sustained will be made good, and not necessarily the amount insured. It is folly, therefore, to pay a premium upon a larger sum than the actual value of the goods.

The principle of insurance is exemplified in that scripture injunction, "Bear ye one another's burdens." Select, say, 100 people who are possessed of property, and you can safely predict, in accordance with previous experience, that within a given time some of them (but not all) will suffer loss by fire. If each one belongs to an insurance association, the members who have not suffered will contribute to make good the loss of those who have; or, in other words, help them bear their burden. It would be inconvenient, and not always safe, if the carrying out of this help were left to the contributions of each member when a loss occurred; so the majority of people insure with regular companies who receive a premium at stated periods, for which they undertake that when a loss occurs they will indemnify the sufferer. The law of average, implied in the principle above alluded to, forms the basis of the calculation of the rate to be charged. Insurance has been a great help to commerce, as people with capital would refuse to risk it if there was no possibility of obtaining indemnity in case of loss by fire or other disaster.

It was after the great fire in London in 1666 that insurance was applied to fire risks.

There are three principal conditions in a contract of insurance, namely, (1) There must be an actual risk. (2) There must be similar risk among a large number. (3) Losses must relatively be few. The latter element would be absent in insurance of bad debts, as recently proposed, for all men engaged in business must inevitably make bad debts.

There are Mutual Fire Insurance Companies, which usually confine their operations to a county, and insure farm property. The members give their notes for a certain sum, which are held as security that they will contribute their share of any loss sustained by fire by any member. This principle would be unsuitable for mercantile risks. One feature of security to the insured and stability on the part of the company (the insurer) is, that it does business over a wide area, and does not take its risks in one or few localities, where one great disaster might cripple or ruin it.

The person desiring to insure makes application to an agent of the company, describing the property accurately and concealing nothing that should be known. Should there be concealment or misrepresentation the contract will be vitiated. If there is already insurance in existence with one or more companies, each must be notified of the new insurance, and the company with which the new insurance is being effected must be notified of the prior insurance. All material changes or alterations in a building, a change of tenants, or of the use to which a building is put, the removal of goods that are insured from one building to another, a building becoming vacant, or an assignment of the insurance, must be reported and the facts noted on the policy by the Company.

The agent has not the power to issue a policy; he can only give an interim receipt, good for the days mentioned upon it. He submits the application and sends the premium (the amount paid for the insurance) to the head office and the directors determine whether they will take the risk; if they are willing, the policy (the evidence of the contract) will be issued; if not, the money paid by way of premium will be refunded, less the amount for the time for which the property was insured under the interim receipt. Goods insured cannot be replaced unless the policy is upon a general stock of merchandise, or on household effects that are mentioned in general terms. It is well to read over the conditions of a policy, which are printed on the back. Companies will not take risks on books of account, on money, bonds, deeds, or mortgages.

In case of fire the insured is bound to do all he can to save property. He cannot walk away saying, "Oh, it's insured, let it go." A notice of the fire must be sent to the company within 15 days, and should be accompanied with a statement of claim. The company will send an adjuster, who will settle on a fair basis when he has seen the evidence of the actual loss, beyond which, of course, not a cent will be paid, no matter what the amount of the insurance was. If there should be difficulty in settling, an appraiser will be called in. The evidence of the amount of loss on the part of a merchant would be his last inventory of stock, and the amount of invoices of purchases since it was taken, less the sales (cost price) since then. Well kept books and systematically arranged papers, cared for in a good safe, are a great comfort and satisfaction in the event of fire.

A Specific Policy is one insuring only definite goods; a Blanket Policy is one covering all goods. Salvage is the term applied to goods rescued from fire or shipwreck.

Life. Life Insurance is not a contract of indemnity, like Fire Insurance, and there is therefore nothing to hinder a person from insuring his life in as many offices as will accept him, and his heirs receiving the total amount insured from all the companies. The person who insures a life must himself be the life, or he must have a pecuniary interest in it. For example, a creditor can insure the life of a debtor, with the debtor's consent, and although the debt be discharged subsequently, he will be entitled to recover the insurance if he keeps it in force by paying the premiums. Good faith is just as necessary in effecting life insurance as in taking out a fire policy. Fraudulent concealment or misrepresentation would, if discovered, make the policy void.

The features which are most important in choosing a company in which to effect life insurance are, first, absolute security, and second, profit. The test of the first will be a comparison of the assets with the liabilities; of the other, prudent and economical management, and safe and profitable investment of funds. The amount charged for life insurance is based upon recognized and well established mathematical principles, applied to these three elements—the rate of interest which will accrue from the investment of the premiums; the rate of mortality from year to year, which is as certainly determined as any other events in human affairs, and with which the experience of the insured is expected to agree; and the proportion to be added to the net rates to meet expenses of management and afford a profit to the insurer. The profession known as Actuaries deals with the intricate calculations involved in mortality tables.

Available Securities. Raising a considerable sum of money on short notice is not always an easy matter. But the necessity for so doing is apt to come at times to every business man—even the most prosperous. And considerable loss often ensues when, from general monetary stringency, or other causes, there is difficulty in negotiating loans with regular banking institutions. At such a time there is, however, an immediate resource available to most business men which is not as widely known as it might be. It may be taken advantage of by those who have been careful to carry an adequate amount of insurance upon their lives. Nearly every regular life company grants cash loans on the security of its policies. The Canada Life not only does this, but in all ordinary policies issued, the amounts which may be borrowed each year are stated and guaranteed in the policy contract. Thus the policy-holder knows not only what his present resources are at any time, but is able to tell just what value his policy will have as an available asset at any time in the future. These loans may be obtained promptly and without other expense than a moderate interest charge.

In addition to the regular Life Insurance Companies, to which alone we have hitherto alluded, there are assessment societies which undertake that on the death of a member they will collect from each of the remaining members the sum of one dollar (or other sum) and pay the amount collected to the heirs of the deceased member. This cannot be considered as INSURANCE, for the payments are at the will of the individual members. It is simply an implied agreement on joining the society that each member will present a dollar to the family of a deceased member when death occurs. This agreement may be carried out, or it may not. There can be no guarantee that it will. Societies of this kind in the past have flourished for a time, until driven to the wall by

competition of kindred ones, or the unwillingness of members to pay the death calls when they (as they must inevitably) become numerous. Only those members who die young profit by connection with these societies. In the regular companies you have the certainty of death with the certainty of insurance; in the other Societies, the certainty of death and only the chance of insurance.

These remarks would not apply to such a society as the Oddfellows, but only to those societies that exist purely for assessment purposes.

It was to marine risks that insurance was first applied. It was termed underwriting, and those who undertook the risks were called underwriters. (These terms are now generally applied in all classes of insurance.) Marine insurance in Canada and the United States is carried on by companies. In England, while much of the insurance is done by companies, it is a remarkable fact that the largest portion is effected by private individuals, who are members of "Lloyd's," so called from the society having originally met in a coffee-house in London, kept by a person of that name. Lloyd's has a world-wide reputation. "Classed A1 at Lloyd's" is an expression which refers to the rating of a vessel in the society's books.

Marine insurance differs materially from fire insurance in respect to the adjustment of loss. The owner (or underwriter) in case of partial loss, pays only such a proportion of the sum insured as the damage sustained bears to its whole value at the time of insurance; that is to say, if a portion of the cargo has been damaged, or thrown overboard, the owners (or the underwriters) of the particular goods will suffer no greater loss in proportion to their respective interests than the other owners of goods on board and the owners of the ship and freight. This contribution is called General Average. Jettison is the throwing overboard of a ship's cargo, or a portion of it, in order to lighten the vessel in a storm. The goods that are cast overboard and sink are called Flotsam, and those that continue to float, or have floated to land, are termed Flotsam.

Particular Average, as distinguished from General Average, refers to, say, the loss of an anchor, the starting of a plank, where the common safety was not in question, and where there is, consequently, no contribution.

ANNUITIES.

An Annuity is a yearly payment of money to be received for life, or for a term of years, in consideration of value surrendered, or money advanced to those who pay. The person who receives an annuity is called an Annuitant. With individuals who are to pay, the annuity may be a charge upon personal estate or real estate.

Persons who have a limited capital, and are not capable of investing it profitably under their own control, or who have not the opportunity of using it along with their own labor, may purchase from an Insurance Company, or a Government, an annuity that will give the largest possible life income. For example, here is a person with a capital of ten thousand dollars, who has no one to whom he cares to leave his capital at his death. He simply desires to secure for himself the largest possible income from that sum for life, unaccompanied by his labor. Investment in mortgages or debentures, or good security of any kind, would not yield him over five hundred dollars a year; but if he surrenders his whole capital by buying an annuity, he can for life, and without risk or trouble, secure a much larger income.

A Series of Practical Examination Questions in Bookkeeping, and in

Negotiable Paper and Office Practice, designed to test students who have had a thorough training in a high grade business college, under practical accountants; and also to aid candidates in preparing for the examinations of the Institute of Chartered Accountants, and for the examinations for "Commercial Specialists" under the Education Department of the Province of Ontario.

QUESTION No. 1.

You and Thomas Jones have been in business for 12 months; each invested \$8,000 and each withdrew \$1,000.

Purchases of Merchandise.....	\$60,000
Sales of Merchandise.....	70,000

(INVENTORY AT THE END OF THE YEAR \$7800.)

Expenses of business.....	\$ 5,200
Commissions earned.....	700
Real Estate.....	6,000
Income from Real Estate.....	600
Personal accounts Receivable.....	5,000
Personal accounts Payable.....	7,000
Bills Payable.....	1,500
Bills Receivable.....	15,000
Cash on hand.....	1,000
Cash in bank.....	1,600

Gains and Losses to be shared equally.
(Trial Balance \$9,580.)

- (a) Make a Loss and Gain Statement.
- (b) Make a Resources and Liabilities Statement.
- (c) Show the Capital accounts of the partners as they would appear in the Ledger with the Balances brought down for the new business year.

QUESTION No. 2.

Close the accounts in the following Ledger and leave it ready for next year's business, and make out a Balance Sheet :

Dr.		Cr.
§ 2,500 00	J. G. McCaw, Capital Acc't.,	\$ 9,000 00
	J. G. McCaw, Private Acc't.,	
	T. N. Proulx, Capital Acc't.,	9,000 00
	T. N. Proulx, Private Acc't.,	
2,500 00	Merchandise,	20,300 00
19,800 00	Cash,	13,620 00
13,760 00	Bills Payable,	9,300 00
6,800 00	Bills Receivable,	4,620 00
14,500 00	Merchants Bank,	3,300 00
5,700 00	Real Estate,	
5,000 00	Mortgage Payable,	2,500 00
	Store Furniture,	
360 00	Interest,	
180 00	Expense,	
1,260 00	Salary,	
1,000 00	Rent,	
650 00	W. R. Wright,	206 00
402 00	Albert Strong,	540 00
150 00	J. B. Lamb,	2,430 00
430 00	H. VanGesen,	680 00
1,340 00	Thos. Vincent,	310 00
740 00	L. F. Purdy,	670 00
120 00	R. Fitzgerald,	716 00

Before taking off the Balance Sheet or closing the Ledger you will write off Thomas Vincent's account as a bad debt.

Inventories :

Merchandise,	\$8,800 00
Real Estate,	4,500 00
Store Furniture,	300 00
Coal on hand that was charged to expense acct.,	50 00
Rent paid in advance,	100 00

QUESTION NO. 3.

Interest account appears in your Ledger as follows:

<i>Dr.</i>	INTEREST AND DISCOUNT.				<i>Cr.</i>		
To J. Simpson & Co.,	\$	17	60	By W. Dawson,	\$	5	70
“ Bills Payable,		9	20	“ Copp Clark Co.,		6	30
“ Cash,		35	00	“ Bills Rec.,		7	10
“ Intell. Co.,		6	90				

There is interest accumulated on Notes to the amount of \$39 in your favor at the end of the year. Deal with the matter and close the account, leaving it ready for next year.

Expense account appears in your Ledger as follows:

<i>Dr.</i>	EXPENSE.				<i>Cr.</i>
To Cash,	\$ 39	00			
“ Downey & Co.,	180	00			
“ Bills Payable,	300	00			
“ Cash,	136	00			

There is \$75 worth of coal on hand (10 tons) at the end of the year that was charged to Expense. Deal with the matter, close the account and leave it ready for next year.

QUESTION NO. 4.

The account of The *Times* Printing Co for the past three months has been rendered to you. You have picked out the items, and, having added them under their respective heads, found the summary to be as follows:

Expense items,	\$ 8 30
Advertising items,	56 50
Merchandise "	190 10
Your personal "	2 00
	<hr/>
	\$256 90

(a) Make the Journal entry for above.

Some days hence the Company draws upon you for above at sight, less 5% cash discount, and you pay the draft at once by cheque on Bank of Commerce.

- (b) Make the Journal entry for the above.
- (c) Draw the Draft.

QUESTION No. 5.

Draw a Draft on James Ford & Co., Toronto, at 60 days' sight to the order of Robert Lovell & Co. for \$600, which will be duly accepted on presentation, payable at the Imperial Bank in Toronto, and paid at maturity.

- (a) Drawer's entry.
- (b) Drawee's " "
- (c) Payee's " "
- (d) Acceptor's entry when the Imperial Bank charges the acceptance to his account at maturity.
- (e) Draw the Draft and place the acceptance upon it.
- (f) Why did you draw a Draft on Jas. Ford & Co., and why did you make it payable to Robert Lovell & Co. ?

QUESTION No. 6.

Your Note in favor of The *Times* Printing Co. for \$500 is due to-day, but you cannot pay it. There is the sum of \$43.20 at their credit in your Ledger, which is to be included with the \$500 in a new Note drawn at 3 months, payable at the Bank of Commerce, Belleville.

- (a) Draw the Note.
- (b) Your Journal entry.
- (c) The *Times* Printing Co.'s Journal entry.

QUESTION No. 7.

You owe Edward Allan, Sons & Co., Manchester, England, £305 sterling. They have drawn a bill upon you at 60 days' sight for £200, which you duly accepted; and for the balance, £105, you have remitted by a bill of exchange bought from the Bank of Commerce at the rate of 4.87 $\frac{1}{8}$, for which you give your cheque on the Bank of Montreal.

- (a) The Journal entry when you accepted the bill, converting the amount into Canadian currency at 9 $\frac{1}{2}$ %.
- (b) The Journal entry for the remittance.
- (c) Draw the bill for £200 and accept it, payable at the Bank of Montreal in Belleville.

QUESTION No. 8.

Put the following through a Cash-Book from which you post direct to the Ledger, and give full explanations with each entry, as this is the book of original entry. There will be a special column for Mdse. sales on the Dr. side, and a special column on the Cr. side for Interest and Discount.

Bal. on hand, \$320.

Cash Sales, \$75.

Drew on T. B. Dickson, Brockville, for \$160 at sight and left proceeds, \$159.60, in B. of C.

\$460

\$500

Disc'td B. R. No, 390, 38 days to run (including days of grace), and 402, 43 days (including days of grace) rate $6\frac{1}{2}\%$, left proceeds in bank.

Cash Sales, \$190.

Paid J. Sinclair & Co.'s acct., \$400, by Draft bought from B. of C., less 3% dis., plus $\frac{1}{4}\%$ exchange; gave cheque No. 80.

Deposited in B. of C. \$300.

Cash Sales \$225.

Paid duty 25% ad. val. on R. Simpson & Co.'s invoice, \$360.00, by cheque No. 81 on B. of C.

Received payment of John Smith's acct., \$200, less $2\frac{1}{2}\%$ disc't.

Balance the Cash Book and bring down the balance.

QUESTION NO. 9.

When taking charge of the books of Anderson & Kennedy (the partners are J. R. Anderson & N. Kennedy), you found the ledger in confusion, and you have concluded that it is best to open a new set of accounts; you have waited till the regular stock-taking time arrives, and have prepared the following statement of the firm's assets and liabilities. Each partner has made equal investments and withdrawals.

ASSETS.			
Cash, amount on hand.....	\$ 175	00	
Merchandise, as per inventory.....	9300	00	
Bank of Montreal, amount on deposit.....	3700	00	
Plant, value of machinery.....	7200	00	
Bills Receivable, notes on hand.....	6800	00	
Office Furniture, as per inventory.....	500	00	
Real Estate, land and building.....	7200	00	
Thos. Jones, personal account.....	136	00	
R. J. Wills, " ".....	87	00	
LIABILITIES.			
Mortgage Payable, amount due on principal.....		\$ 2800	00
Bills Payable, notes outstanding.....		13700	00
John West & Co.....		180	00
John Thompson.....		420	00

You will journalize the above and open a new set of Ledger accounts.

QUESTION NO. 10.

After the above books were opened, you found that an invoice of goods amounting to \$560, bought from John Fraser & Co., on account, had not been entered at the time of purchase. Make the necessary Journal entry and post it.

QUESTION No. 11.

R. Brown renews for you half the amount of a note for \$500 due to-day. You pay \$250 by cheque, and give a new note for half the amount of the old one, and the interest on renewal, \$3.50.

- (a) Your Journal entry, without using the personal account.
- (b) Your Journal *entries* using the personal account.

QUESTION No. 12.

- (a) Brown's Journal entry without using the personal account.
- (b) Brown's Journal *entries* using the personal account.

QUESTION No. 13.

Your Ledger shows at the credit of C. J. Boyd & Son, Toronto, the sum of \$600, for which they have drawn upon you, at ten days' date, less 3% cash discount, but adding $\frac{1}{8}$ of 1% for exchange.

- (a) Draw the Draft, and place the acceptance upon it, and make it payable at the Bank of Commerce, Belleville.
- (b) C. J. B. & Son's Journal entry when they draw the draft.
- (c) Your " " " you accept " "
- (d) " " " " the acceptance is charged to your account in the bank at maturity.

QUESTION No. 14.

The following is the Single Entry Ledger of H. C. McNeil, which, at the annual closing of the books, is to be changed to Double Entry. You will first make out a complete statement of Assets and Liabilities.

DR.		CR.
	H. C. McNeil, Capital Acc't.,	\$3,800 00
\$500 00	H. C. McNeil, current account,	
100 00	S. L. Pierce & Co.,	257 80
420 00	A. Clark,	
265 00	C. F. Spencer,	50 00
68 70	H. Knowles,	
	J. E. Fry,	81 50
25 90	R. R. Starr,	100 00
	E. Freeman & Co.,	17 80
30 30	C. Edmunds,	
	D. L. Carley,	78 40
50 00	J. C. Jamieson & Co.,	169 50
280 00	J. A. Masters,	
168 40	A. G. Butterfield,	100 00
	R. A. Foss,	178 40

The resources and liabilities not obtainable from the Ledger are as follows:

Merchandise, as per inventory,	\$5,890 00	
Bills Rec., notes on hand,	200 00	
Mortgage Receivable, face of mortgage, ..	750 00	
Interest accumulated on mortgage,	68 00	
Bills Payable, notes outstanding,		\$400 00
Cash, amount on hand,	19 80	
Merchants Bank, amount on deposit,	160 20	

QUESTION No. 15.

Robert White, Woodstock, settled his account in favor of John Jones by note, negotiable by indorsement, payable at the Bank of Commerce, Toronto, drawn at 3 months from June 5th, 1908, for \$450.

Jones indorsed it in full to John Foster and delivered it to him.

Foster indorsed it in blank and delivered it to James Scott.

When the note had 72 days to run, including days of grace, Scott discounted it at the Bank of Commerce, Woodstock, leaving the proceeds to his credit: rate $7\frac{1}{2}\%$ and $\frac{1}{8}$ of 1% for collection. Scott also indorsed it before discounting.

At maturity the note is dishonoured.

(a) Draw the note and place all the indorsements on the back.

(b) Jones' Journal entry when he received the note.

Jones' Journal entry when he delivered it to Foster.

(c) Foster's Journal entry when he received it.

Foster's Journal entry when he delivered it to Scott.

(d) Scott's Journal entry when he received it.

Scott's Journal entry when he discounted it.

(e) The note not being paid at maturity, what should the bank (the holder) do, when and why?

(f) Against whom has the Bank (the holder) recourse?

(g) As between themselves, what is the order of the liability of the parties to the note?

QUESTION No. 16.

You have been engaged as accountant for the new firm of Boyd & Shepard. Journalize the resources and liabilities brought in by each for the purpose of opening a double entry ledger.

John Boyd's Resources:

Cash,.....	\$5,000 00
Real Estate,.....	4,000 00
Plant,.....	3,000 00
Bills Rec.,.....	2,000 00
	—————\$14,000 00

John Boyd's Liabilities:

Mortgage Payable,.....	\$1,000 00
R. C. Wilson, Personal Acc't.,.....	500 00
" " a Note,.....	500 00
	—————\$ 2,000 00

Samuel Shepard's Resources:

Cash,.....	\$10,000 00
Bills Rec.,.....	500 00
S. Bradshaw, Personal Acc't.,.....	300 00
Merchandise,.....	2,200 00
	—————\$13,000 00

Samuel Shepard's Liabilities:

Bills Payable,.....	\$ 600 00
T. J. Burns, Personal Acct.,.....	400 00
	—————\$ 1,000 00

QUESTION No. 17.

Make Cross Entries (journal) to rectify the following mistakes in entries that have been posted to the Ledger.

(a) A note of \$295, with interest accumulated to the amount of \$3.00, was paid to you, and by mistake B. R. account was credited with the whole sum.

(b) You paid your note of \$300 and interest \$5.00 by cheque on the Bank of Commerce, and by mistake charged B. P. account with the whole sum.

(c) R. Brown paid you his account, \$57.00, but by mistake the amount was put in and counted with the day's cash sales.

QUESTION No. 18.

Explain the transactions involved in the following Journal entries.

(a)	Bills Payable Dr.	\$400 00	
	Interest "	5 00	
	To Bills Payable		\$405 00
(b)	Bills Receivable Dr.	\$765 00	
	To Bills Receivable		\$748 00
	" Interest		7 00
(c)	John Duncan & Co., Dr.	\$300 00	
	Discount and Exchange Dr.	75	
	To Bank of Commerce		\$300 75

QUESTION No. 19.

John Hardy, of Toronto, drew a draft for \$500, at 60 days' date on Chas. Young, of Belleville, in favor of Robert Gordon. Young duly accepted the Draft, making it payable at the Bank of Commerce, Belleville.

In the course of business, Gordon transferred the acceptance to you, indorsing it in blank before doing so.

At maturity the acceptance is dishonored.

(a) Draw the Draft, accept it, payable at the Bank of Commerce, Belleville. Indorse it.

(b) John Hardy's entry when he drew the Draft.

(c) Robert Gordon's entry when he received the Draft.

(d) Chas. Young's entry when he accepted the Draft.

(e) Robert Gordon's entry when he transferred the acceptance to you.

(f) Your entry when you received the acceptance.

(g) Name the parties against whom you have recourse at maturity, and, as between themselves, the order of their liability.

(h) To insure recourse against several of the parties, something will require to be done; name the parties, and state what must be done.

 QUESTION No. 20.

At the debit of C. Ackerman's account (Kingston) in your ledger there stands the sum of \$480; allow him a discount of $2\frac{1}{2}\%$ and draw upon him at ten days' sight, adding $\frac{1}{8}$ of 1 % for collection.

(a) Draw the draft, place the acceptance upon it, making it payable at the Merchants Bank, Kingston.

(b) Your Journal entry when you draw the Draft.

(c) His " " " he accepts the Draft.

(d) At maturity of the acceptance he retires it by cheque, his entry.

 QUESTION No. 21.

You sold John Smith merchandise amounting to \$960 on June 5th.

On June 20th he accepted your Draft at three months from that date for \$960.

On September 23rd, not being able to pay the acceptance in full, he remits \$500 by cheque to apply on it.

On September 23rd, you draw on him at 60 days' date for the balance of the acceptance, calculating and adding interest at the rate of 7 % and exchange $\frac{1}{4}$ of 1 %.

Required your Ledger entries for above, the personal account to be used only for the two first transactions.

QUESTION No. 22.

Required John Smith's Ledger entries for No. 21, the personal account to be used only for the two first transactions.

QUESTION No. 23.

Having rendered statements of account to the following customers, you have drawn upon them at 3 days' sight. The drafts were entrusted to the Bank of Montreal, and have been collected, and the proceeds, less $\frac{1}{8}$ of 1% (the cost of collection) have been placed to your credit in the bank. You made no entries until you were notified of the collections.

S. Miller & Co., St. John, N. B	\$750 00
M. Anthony, Halifax, N. S.	630 00
D. Stalker, Toronto, Ont.	180 00

- (a) Give your Journal entries.
 (b) Draw the Draft on S. Miller & Co.

QUESTION No. 24.

Your Ledger shows at the Cr. of C. O. Baylis & Co., Montreal, the sum of \$500; your acceptance in their favor, amounting to \$400, will fall due a few days hence.

You have arranged with them through correspondence to draw a draft upon you at seven days' sight for both, but you are to get a discount of 5 per cent. off the \$500, and they will add exchange at $\frac{1}{4}$ of 1 per cent. on the whole account of the indebtedness (less the amount of the 5 per cent. discount).

- (a) Draw the Draft, and place the acceptance upon it, making it payable at the B. of C., B.
 (b) Their Journal entry when they draw the Draft.
 (c) Your " " " " you accept " "
 (d) " " " " the bank charges the acceptance to your account at maturity.

QUESTION No. 25.

You held a Note against Richard Rowe, drawn at 3 months from June 5th, 1908, for \$560, bearing interest at 7 per cent., payable at the Merchants Bank in Montreal.

When it had 68 days to run (including days of grace) you discounted it at the B. of C., B., at 6 per cent., and exchange $\frac{1}{4}$ of 1 per cent., and left the proceeds to your credit.

- (a) Your entry when you received the Note.
- (b) Rowe's entry when he gave the Note.
- (c) Your entry when you discounted the Note.
- (d) Rowe's entry when he retired the Note at maturity by cheque.
- (e) Draw the Note so that interest could be collected at the rate of 7 per cent. as well after as before maturity, if not paid when due.

QUESTION No. 26.

You received goods from R. Wright & Co., Montreal, amounting to \$500. A week hence you accept their Draft at three months for the amount, payable at their office in Montreal.

At the maturity of the acceptance you can pay only \$300, which you remit by cheque on the Bank of Commerce.

They retire and return your acceptance and draw upon you, as per statement, for \$203, being the balance of the acceptance and interest added, and you accept the Draft.

- (a) Journal entry when you receive the goods.
- (b) " " " " accept the first Draft.
- (c) " " " " send the cheque in part payment (put it through the personal account).
- (d) Journal *entries* when you accept the second Draft.
- (e) Journal entry when you pay the second Draft at maturity by cheque.

QUESTION No. 27.

You received a Note at 3 mos. from R. Strong, dated Belleville, June 20, 1908, payable at the B. of C. here for \$400, which you discounted at the B. of C. on July 10th, at 7 per cent., leaving proceeds in Bank.

At maturity the maker cannot pay it, and you are obliged to retire it, which you do by cheque on Bank of Commerce.

You renew the Note for Strong for 2 months, adding interest for $\frac{1}{6}$ of a year at 7 per cent. You give him back the old note and he gives you a new one for \$——

- (a) Your entry when you received the first note.
- (b) " " " " discounted it.
- (c) " " " " were obliged to pay it.
- (d) " " for the renewal without using the personal account.
- (e) Draw the first Note.

QUESTION No. 28.

Explain what transactions are involved in the following Journal entry :

Bills Payable	<i>Dr.</i>	\$400 00
J. Brown,	"	300 00
To Discount,		\$ 15 00
" Bank of Commerce,		285 00
" Bills Receivable,		200 00
" R. Jones,		200 00

QUESTION No. 29.

John Smith & Co., of Sherbrooke, Que., owe you on account \$300 and on a note \$200. They request you to draw on them at 3 days' sight for all and return the note.

You make two Drafts on them (to suit your own convenience), one for \$250 to your own order at 3 days' sight, and the other for \$250 in favor of R. Lovell & Co., Montreal, at 3 days' sight.

(a) Draw both Drafts, accept them, payable at the Bank of Montreal, Sherbrooke.

(b) Your Journal entry when you draw the Drafts.

(c) John Smith & Co.'s Journal entry when they accept the Drafts.

(d) R. Lovell & Co.'s Journal entry when they receive J. Smith & Co.'s Acceptance.

(e) John Smith & Co.'s Journal entry when they retire the Acceptances at maturity by cheque.

QUESTION No. 30.

R. Burns & Co. hold a Note of \$300 against you due to-day. They are to renew it for you for three months, the interest charges being \$2.70. You buy goods from them to-day amounting to \$120, and this amount is also to be included in the new Note.

(a) Your Journal entries, using the personal account.

(b) R. Burns & Co.'s Journal entries, using the personal account.

(c) Draw the new note, payable at the Merchants Bank, Belleville.

QUESTION No. 31.

You are indebted to John Macdonald & Co., Toronto, for the sum of \$680.00, and settle as follows:

Give a cheque on the B. of C., B.,	.....\$200 00
" note you hold against R. Young,	..... 150 00
" your own note at 3 months,	..... 150 00
" " draft on J. McIntosh, Kingston, at	
30 days' date for balance,	..... 180 00

- (a) Your Journal entry.
- (b) John Macdonald & Co.'s Journal entry.
- (c) J. McIntosh's Journal entry when he accepts your Draft.
- (d) Draw your own Note and the Draft on McIntosh.

QUESTION No. 32.

You bought goods to-day from Isaac Waterman & Co., amounting to \$500, and you owe them an old account of \$80. You settle as follows :

Give a cheque on the B. of C., B., for.....\$200 00
 You accept their draft at 30 days' date for..... 250 00
 " give them a draft at ten days' sight on J.
 Cameron, Brantford, for..... 130 00

- (a) Draw both Drafts.
- (b) Your Journal entry.
- (c) I. Waterman & Co.'s Journal entry.
- (d) J. Cameron's Journal entry when he accepts your Draft.

QUESTION No. 33.

You have to raise funds to-day. You will discount the following :

A Note, payable to your order, made by G. Bruce, \$400, having 35 days to run; an acceptance payable to your order that you hold against C. McPherson, \$500, having 63 days to run; your own Note, indorsed by John Rogers, \$400, 33 days to run. The rate of discount is 6 per cent. As McPherson's acceptance is payable in Toronto, you have to pay exchange on it $\frac{1}{4}$ of 1 per cent. You leave the proceeds of all in bank. Days of grace are included in the time given.

- (a) Your Journal entries when you discounted the bills.
- (b) Before discounting the two first bills, what would you be required to do to them? What effect would this have? Also state Rogers' liability.
- (c) Instead of journalizing the transactions they may be put through the C. B. Do so.

QUESTION NO. 34.

The Plant account (representing machinery) of a manufacturing concern shows \$17,800 at its debit. The Office Furniture account shows \$780. Each has depreciated. You have taken an inventory of the former and it amounts to \$17,120. From the latter you will write off 10 per cent. for wear and tear. Give examples in Ledger accounts, and leave the accounts ready for another year.

QUESTION. No. 35.

You are indebted to John Wanamaker, Merchant, Philadelphia, in the sum of \$250. Take advantage of his cash discount of 5 per cent. and remit to him. You will make the remittance by draft bought from the Bank of Montreal and paid for by cheque No. 829; exchange $\frac{1}{4}$ of 1 per cent.

(a) Your C. B. entries.

(b) John Wanamaker's C. B. entries.

QUESTION No. 36.

You are executor under the will of John Jones, recently deceased. You have prepared an inventory of his real and personal property and a statement of his assets and liabilities, as far as can at present be ascertained. The following is the statement:

RESOURCES.			
Merchants Bank, amount on deposit,.....	\$ 10000	00	
Shares in Consumers' Gas Co.,.....	15000	00	
Mortgage on Real Estate,.....	18000	00	
Bills Receivable,.....	700	00	
C. Thompson,.....	83	00	
R. MacFarlane,.....	120	00	
Thos. Brown,.....	300	00	
J. C. Latimer,.....	25	00	
LIABILITIES.			
Mortgage Payable,.....		\$ 2000	00
Bills Payable,.....		1500	00
W. Pringle,.....		700	00
W. B. Robinson,.....		220	00
J. Hungerford,.....		78	00
W. A. Murray & Co.,.....		320	00

(a) Journalize the above and open a double entry Ledger.

(b) What is the difference between an executor and an administrator?

(c) What is the first duty of an executor?

(d) What are the first claims to be discharged?

QUESTION No. 37.

Some time after the above books were opened, it was ascertained that the deceased owed Arch. Thompson an account of \$ 52 00 and James Brown an account of..... 120 00

and C. Thompson produced a receipt for the account that was supposed to be owing by him when the books were opened:

ALSO THAT

interest had accumulated on the mortgage receivable to the amount of \$120, at the date of opening the books, but it was omitted to be entered.

Make Journal entries to deal with the above errors and omissions, and post them to the Ledger of Question 36.

QUESTION No. 38.

You owe Brown Bros., Toronto, \$300. You give them a Draft at 30 days' date on W. Miller & Co., Toronto, for the amount, less 5 per cent. discount.

- (a) Your Journal entry.
- (b) Brown Bros'. Journal entry.
- (c) W. Miller & Co.'s Journal entry.
- (d) Draw the Draft.

QUESTION No. 39.

You gave H. W. Parker & Co., Toronto, a Note at 3 months for \$525, which will fall due at the C. B. of C. in Belleville to-morrow. You can raise only \$325, and H. W. P. & Co. have authorized you to draw on them for \$200 at sight to enable you to retire your Note at maturity.

- (a) Draw the Note and Draft.
- (b) Your entry when you gave the Note, and H. W. P. & Co.'s when they received it.
- (c) Your Journal entry when you drew and discounted the Sight Draft, leaving the pro. \$197.50 in bank.
- (d) H. W. P. & Co.'s Journal entry when they paid your Draft at sight by cheque on the Bank of Montreal.
- (e) Your Journal entry when you paid the Note by cheque.

QUESTION No. 40.

You hold a Note made by Robert Jones, drawn at three months for \$500, on which Samuel Baker is indorser, payable at the C. B. of C., in Belleville. It was not paid at maturity.

- (a) The Note is to be drawn so that *you* can hold the indorser.
- (b) What should you do when the Note is dishonored, when and why?
- (c) Supposing the above Note has been under discount at the bank, and had been charged to your account at maturity, what Journal entry would you have made?

QUESTION No. 41.

In large business houses the Journal is very little used, as direct posting to the Ledger is done from the Sales-Book, Invoice-Book (foreign and domestic), Cash-Book and Bill-Book. Explain how the direct posting is done from these books, and the advantages there are in it.

QUESTION No. 42.

You bought 20 shares of stock in the Belleville Gas Co. at par, \$100 each. You sold 10 of them later on at a premium of 12 per cent. Show the transactions through the several Ledger accounts affected.

QUESTION No. 43.

State the advantages of the double entry system of bookkeeping over the single entry method.

QUESTION No. 44.

State the difference between a Trial Balance and a Balance Sheet.

QUESTION No. 45.

In the Stock Ledger of a company, W. Thompson is credited with 15 paid-up shares of \$100 each. He sells to-day to R. Walker at a premium of 10 per cent.

- (a) Give the entries in the Stock Ledger.
- (b) How would the transfer be made in the company's books?
- (c) State where they would be posted from.
- (d) On what amount would Walker be paid a dividend?

QUESTION No. 46.

You bought of R. C. Webster goods amounting to \$3,500, and settled for them as follows:

Your Cheque on Bank of Commerce, \$1,500

An accepted Draft held against R. Brown, 1,000

from which you allow a discount of \$20, as it will not be due for three months.

Your own Note at 3 months, payable at the C. B. of C. here,\$800
and you give a Draft at 30 days' date on C. Jones, Toronto, for balance, which he duly accepted.

- (a) Your Journal entry.
- (b) Webster's Journal entry.
- (c) Jones' Journal entry.

QUESTION No. 47.

(a) When forming a partnership there may be equal time and skill, but unequal capital. How would you arrange matters so that no injustice should be done in sharing gains and losses?

(b) There being equal investment of capital, but inequality either in skill or time, how would you arrange in that case?

(c) What instrument should be drawn up when a partnership is formed, and where and how soon should a declaration of general partnership be recorded?

(d) Explain General Partnership, and state the liability of each partner for the partnership debts.

(e) Explain Special or Limited Partnership.

QUESTION. No. 48.

At the end of the business year there are some outstanding liabilities not shown in your books; for example, 3 months' rent due your landlord, 3 months' salary owing to two clerks and the bookkeeper, the taxes for the year owing to the city.

- (a) Give Journal entries.
- (b) Give the reasons for making them.

QUESTION No. 49.

Geo. Tucker holds a note at 3 months against you for \$500, due at your office March 26, 1908. In order to pay it in full you are obliged to raise money on an accommodation note. S. G. Ross agrees to indorse for you a note for \$250.00, at 2 months from to-morrow, payable at the Bank of Montreal here, and the same bank agrees to discount it @ 7%.

- (a) Your Journal entry when you gave the first note.
- (b) " " " " " discounted the accommodation note, leaving proceeds in Bank.
- (c) Your Journal entry when you paid the \$500 note at maturity, by cheque on the B. of M.
- (d) Draw both notes.

QUESTION No. 50.

You draw a Draft at 30 days' date on John Brown, Toronto, for \$300 to your own order, and discount it at the C. B. of C., leaving the proceeds, \$298.80 to your credit.

- (a) Draw the Draft.
- (b) Entry when you drew it.
- (c) " " " discounted it.
- (d) In a few days the Draft is returned dishonored. What entry would you make; the bank just charges your account with the amount credited when you discounted the draft.

QUESTION No. 51.

You sold J. C. Flint & Co., Montreal, goods as follows, which were charged at the time of sale:

Jan. 1st at 30 days,	\$192 30
Feb. 13th at 60 "	137 50
Mar. 15th at 90 "	742 25
Apr. 11th at 30 "	350 00

- (a) Draw a Draft on them to your own order dated Jan. 1st that will allow an average date for the payment of all.
- (b) Your Journal entry when you draw the Draft.
- (c) J. C. Flint & Co.'s entry when they accept the Draft.

QUESTION No. 52.

Wm. Jones, against whom you hold a note for \$300, indorsed by W. C. Bell, on which has accumulated \$17 interest, did not pay it at maturity; you had it protested and you paid the notarial fees, \$1.04, in cash.

You have compromised with him at a discount of $33\frac{1}{3}$ per cent. of the whole amount and received the settlement in cash. Your entries.

QUESTION No. 53.

(a) How do you ascertain the worth of the proprietor of a business where the books are kept by Single Entry?

(b) How do you ascertain the net loss or net gain for the year where the books are kept by Single Entry?

(c) How is a Single Entry Ledger converted into Double Entry?

QUESTION No. 54.

You have been called in consultation with respect to a set of double entry books of a business with two partners that is in confusion, and so badly out of balance that it is impossible to find the errors. What remedy would you suggest?

QUESTION No. 55.

State how you would transfer accounts from an old Ledger (filled up) to a new Ledger. Give examples of a few accounts in Ledger A and Ledger B.

QUESTION No. 56.

In your opinion what accounts should be kept in a private Ledger? State the reason.

QUESTION No. 57.

In taking charge of a double entry Ledger and assuming, as well, the custody of the firm's cash and bills receivable, what would you do? In this connection you are to have the power to sign by procuration for the firm all notes, drafts, cheques, etc. How would the power be conferred? Give an example of how you would sign or indorse a note, cheque or draft for the firm by procuration.

QUESTION No. 58.

Analyze the following Ledger accounts, stating in full what each side shows and how the accounts close: Merchandise, Capital, Bills Receivable, Bills Payable, Personal accounts.

QUESTION No. 59.

A. purchased 100 shares of bank stock at the par value \$50 each for \$5,000. Later on he sold 20 of the shares to B at a premium of 10%.

- (a) Give A's Ledger entries when the purchase was made.
 (b) Give A's Ledger entries when the sale was made, and balance the shares account.

QUESTION No. 60.

Explain Trade Discounts and Cash Discounts and give examples of both on one invoice; also make out a credit note for goods damaged or returned.

QUESTION No. 61.

From the following trial balance, and inventory of unsold merchandise, make out a balance sheet:

TRIAL BALANCE.	DR.		CR.	
Your own Capital Account.....	\$	1000 00	\$	3320 00
Partner Jones' Capital Account.....		1000 00		3320 00
Bills Receivable.....		5420 00		3190 00
Merchandise.....		7890 00		8791 00
Bills Payable.....		840 00		1520 00
Cash.....		3800 00		3300 00
Interest.....		87 50		98 90
Expense.....		841 00		
Salary.....		629 00		
John Johnson.....		390 00		160 00
R. Sanderson.....		420 00		560 00
Mortgage Receivable.....		1942 40		
	\$	24259 90	\$	24259 90
Inventory of unsold Merchandise.....	\$	3720		
Gains and Losses to be shared equally				

QUESTION No. 62.

What is the difference between a Revenue Statement and a Statement of Receipts and Disbursements?

QUESTION No. 63.

What is a Rest account? How is it created, and what is its object? Give another name.

QUESTION No. 64.

You have the following doubtful accounts on your Ledger; T. J. Burns, \$283.20; F. J. Scott, \$159.00; Geo. Ross, \$180.00; a note against Wm. Burns, \$100.00. It is not your intention to write them off this year, but you

propose to make provision for doing so later on by making such a Journal entry and posting it as will anticipate the loss. Make the Journal entry and give the reason for making it.

QUESTION No. 65.

When auditing a set of books you found the following accounts in the Ledger in the condition stated:

Dr.		Cr.
\$1890.60	Bills Receivable,	\$2920.00
	Bills Payable.	
1320.00	Cash.	1030.00
4820.00		5840.00

What is your opinion of them? Give your reason.

QUESTION No. 66.

One merchant charges amounts paid for freight and cartage on goods received to the Merchandise account; another merchant charges such items to Freight account. Point out how the two methods affect the Loss and Gain (or Revenue account).

QUESTION No. 67.

You are accountant for the firm of Nesbitt & Fisher, iron manufacturers, of Lachine, Que. At the end of the present year they are changing from a partnership into a joint stock company. The following are the matters with which you have to deal:

The capital stock of the new company, which is incorporated as the Nesbitt & Fisher Manufacturing Co., of Lachine, Limited, is \$80,000, divided into 800 shares of \$100 each. One-half of this (\$40,000) is to be given equally to R. J. Nesbitt and Chas. Fisher to pay them for their net capital invested in the old firm (\$20,000 each) at the time of the change, as shown in the statement of assets and liabilities below. The balance of the stock has been taken by the following:

James Carter	100 shares
R. C. Clark	150 "
Benj. Butterfield	50 "
J. F. Terry	100 "
<hr/>	
400 at \$100 = \$40,000	

the total of which has been paid, and is on special deposit in the Bank of Montreal pending the opening of the Company's books.

The assets and liabilities of the old firm are as follows:

ASSETS			
Plant.....	\$11000	00	
Real Estate.....	19000	00	
Merchandise.....	8000	00	
Cash.....	1247	22	
Bank of Commerce.....	3905	25	
Thos. Hanley.....	81	00	
A. Manning & Co.....	1165	10	
W. W. Jones & Co.....	35	00	
Bills Receivable.....	15566	43	
			60000 00
LIABILITIES			
Thos. Workman & Co.....	500	00	
Abbott-Mitchell Co.....	1500	00	
Bills Payable.....	18000	00	
R. J. Nesbitt (partner).....	20000	00	
Chas. Fisher (partner).....	20000	00	60000 00

(a) You will make the Journal entry to open the books of the new company, based on the above statement of assets and liabilities, and also the Journal entry for the \$40,000 paid by the new shareholders, and now in the Bank of Montreal.

(b) After making the Journal entries, post them to the General Ledger, and credit each stockholder in the Stock Ledger with the number of his shares and their par value.

(c) In what way has the position of Nesbitt & Fisher changed with respect to the liabilities incurred by the old firm and those that will be incurred by the new company?

(d) What would be issued to each of the shareholders?

(e) Some time after the company had started, R. C. Clark disposes of his shares to T. E. Hawkins, at a prem. of 5%. What would take place to effect the transfer? Make the entries in the Stock Ledger.

QUESTION No. 68.

(a) Give examples of some of the different ways in which a bill or note may be indorsed and state the effect of each form of indorsement.

(b) Suppose you were obliged to pay a note of \$500 on which you are indorser, because the maker had failed to pay it and you were duly notified of dishonor, to what account would you charge the amount?

QUESTION No. 69.

How can deterioration in assets be provided for without writing them off the ledger, or reducing the face of the accounts that represent them?

QUESTION No. 70.

After taking off a balance sheet and closing the books, you are surprised at the smallness of the profit on merchandise. When investigating you find that there was a mistake made when taking down the inventory of stock on hand, to the amount of \$1,100, by the omission of goods that were in the reserve stock. There are two partners in the business. State what accounts are affected, and how they are affected, by the omission.

QUESTION No. 71.

Define the following: (1) F. O. B., (2) ex-ship "Fulcon," (3) Days of Grace, (4) Bill of Lading, (5) Goods on Consignment, (6) Demurrage.

QUESTION No. 72.

From the following particulars prepare:—

- (a) Trading account showing the Gross Profits on the Manufacturing.
- (b) A Statement of Losses and Gains for the year, ending 31st December, 1908, showing Net Profit on the Business.
- (c) A Statement of Resources and Liabilities for the same period.

	Dr.		Cr.	
A. Capital Account,	9450	00	45000	00
B. Capital Account,	5700	00	29300	00
Bills Payable,			5578	00
Bills Receivable,	992	00		
Stock on Hand 31st of Dec., 1907,	35620	00		
Machinery,	33848	00		
Real Estate and Buildings,	9852	00		
Purchases,	67794	00		
Sundry Debtors,	13200	00		
Sales,			157886	00
Wages,	41858	00		
Sundry Creditors,			2594	00
Office Furniture and Fittings,	2280	00		
Rent,	3000	00		
Cash,	852	00		
Power, Light, etc.,	2728	00		
Commission,	2282	00		
Travelling Expenses,	1258	00		
Freight Outwards,	858	00		
Discount to Customers	1564	00		
Discount off Purchases,			992	00
Rebates allowed to Customers,	752	00		
Fire Insurance,	968	00		
Interest and Bank Charges,	592	00		
Horse Keep,	700	00		
Sundry Expenses,	2562	00		
Royalties Paid,	924	00		
Advertising,	782	00		
Bad Debts written off,	934	00		
	241350	00	241350	00

Stock of Merchandise on hand 31st of December, 1908, \$36,252.00. Provide 5% on Book Debts to cover the bad debts and discounts. Write 6% depreciation off machinery and fittings. Carry forward Fire Insurance, unexpired, \$350. Provide for 3 days' wages \$250. Allow partners 6% interest on Capital and Salaries as follows:—A, \$7,000.00 per year; B, \$4,000.00 per year, profits divided equally.

QUESTION No. 73.

You borrow money from the Bank of Commerce on an accommodation note, made by you and indorsed by John R. Holmes. Time, three months from June 6th, 1908. Amount \$560, payable at the B. of C. here. Rate charged for discounting 7% per annum. Proceeds left to credit.

(a) Draw the note and place Holmes' indorsement on the back of it.

(b) Your Journal entry when you discounted the note.

(c) Would Holmes require to make an entry for the use of his accommodation indorsement? If so, what?

(d) Your entry when the note was charged by the Bank to your account at maturity, you having provided funds to meet it.

(e) Supposing the note had not been paid at maturity, what steps would the holder require to take to insure recourse against the indorser?

ANSWER TO QUESTION NO. 1.

STUDENT'S CAPITAL.

To Balance,	1000	00	By Loss & Gain,	8000	00
	13950	00		6950	00
	14950	00		14950	00
			By Balance,	13950	00

THOS. JONES' CAPITAL.

To Balance,	1000	00	By Loss & Gain,	8000	00
	13950	00		6950	00
	14950	00		14950	00
			By Balance,	13950	00

LOSS AND GAIN.

Expense, To Stud. Cap., To Jones Cap.,	5200	00	Mdse., Com., R. E. Inc.,	17800	00
	6950	00		700	00
	6950	00		600	00
	19100	00		19100	00

RESOURCES AND LIABILITIES.

Mdse. Inventory, Real Estate, Accts. Rec., Bills Rec., Cash, Bank,	7800	00	Accts. Payable, Bills Payable, Student's Cap., Jones' Cap.,	7000	00
	6000	00		1500	00
	5000	00		13950	00
	15000	00		13950	00
	1000	00			
	1600	00			
	36400	00		36400	00

BALANCE SHEET QUESTION 2. McCaw & PROULX, BALANCE SHEET.

Taken May 1st, 1908.	Folios.	Trial Balance.		Inven- tories.	Representative.		J. G. McCaw.		T. N. Proulx.		Real.		
		Cr. Foot's.			Losses.	Gains.	Dr.	Cr.	Dr.	Cr.	Resources.	Liabilities.	
		Dr. Foot's.											
J. G. McCaw, Cap. Acct.....		2500 00	9000 00					2500 00	9000 00			8800 00	
T. N. Proulx, ".....		2500 00	9000 00									140 00	
Merchandise.....		19800 00	20300 00	8800 00		9300 00							2500 00
Cash.....		13760 00	13620 00										
Bills Payable.....		6800 00	9300 00									9880 00	
Bills Receivable.....		14500 00	4620 00									2400 00	
Merchants Bank.....		5700 00	3300 00									4500 00	
Real Estate.....		5000 00		4500 00	500 00								2500 00
Mortgage Payable.....			2500 00									300 00	
Store Furniture.....		360 00		300 00	60 00								
Interest.....		180 00			180 00							50 00	
Expense.....		1260 00		50 00	1210 00								
Salary.....		1000 00			1000 00							100 00	
Rent.....		650 00		100 00	550 00							196 00	
W. R. Wright.....		402 00	206 00										390 00
Albert Strong.....		150 00	540 00										2000 00
J. B. Lamb.....		430 00	2430 00									660 00	
H. VanGesen.....		1340 00	680 00										550 00
L. F. Purdy.....		120 00	670 00										716 00
R. Fitzgerald.....			716 00										
Bad Debts.....		430 00			430 00								
		76882 00	76882 00										
J. G. McCaw's Gain.....					2685 00			2685 00					
T. N. Proulx's Gain.....					2685 00				2685 00				
					9300 00	9300 00							
J. G. McCaw's Worth.....							9185 00				9185 00		9185 00
T. N. Proulx's Worth.....												11685 00	27026 00
								11685 00	11685 00	11685 00		27026 00	27026 00

See "The Balance Sheet,"
pages 94 and 95,

J. G. McCaw's Worth.....
T. N. Proulx's Worth.....

See "The Balance Sheet,"
pages 94 and 95,

LEDGER, QUESTION 2.

It is to be understood by the student that this is a skeleton Ledger. The figures on each side represent totals for a year; for example, \$19,800 on the Dr. side of Merchandise means purchases, \$20,300 on the Cr. side means sales; \$13,760 on the Dr. side of Cash means receipts of Cash, \$13,620 on the Cr. side means disbursements; \$9,300 on the Cr. side of Bills Payable means notes and acceptances issued, \$6,800 on the Dr. side means notes and acceptances retired, and so on.

DR.		J. G. McCaw (CAPITAL). *				CR.	
	To Private Acct.,	\$ 2500	00		By Investment,	\$ 9000	00
	“ Balance,	9185	00		“ Loss & Gain,	2685	00
		11685	00			11685	00
					By Balance,	9185	00

J. G. McCaw (PRIVATE). *

	To Withdrawals,	2500	00		By Capital Acct.,	2500	00
--	-----------------	------	----	--	-------------------	------	----

T. N. PROULX (CAPITAL). *

	To Private Acct.,	2500	00		By Investment,	9000	00
	“ Balance,	9185	00		“ Loss & Gain,	2685	00
		11685	00			11685	00
					By Balance,	9185	00

T. N. PROULX (PRIVATE). *

	To Withdrawals,	2500	00		By Capital Acct.,	2500	00
--	-----------------	------	----	--	-------------------	------	----

MERCHANDISE.

	To Loss & Gain	19800	00		By Balance Inv.,	20300	00
		9300	00			8800	00
		29100	00			29100	00
	To Balance,	8800	00				

CASH.

		13760	00		By Balance,	13620	00
						140	00
		13760	00			13760	00
	To Balance,	140	00				

BILLS PAYABLE.

	To Balance,	6800	00			9300	00
		2500	00				
		9300	00			9300	00
					By Balance,	2500	00

* Read, Proprietors' or Partner's Capital Account, and Drawing (or Private) account at page 263.

DR.

BILLS RECEIVABLE.

CR.

		\$14500	00			By Balance,	\$4620	00
							9880	00
		14500	00				14500	00
To Balance,		9880	00					

MERCHANTS BANK.

		5700	00			By Balance,	3300	00
							2400	00
		5700	00				5700	00
To Balance,		2400	00					

REAL ESTATE.

		5000	00			By Bal. Inv.,	4500	00
						" Loss and Gain,	500	00
		5000	00				5000	00
To Balance,		4500	00					

MORTGAGE PAYABLE.

							2500	00
--	--	--	--	--	--	--	------	----

STORE FURNITURE.

		360	00			By Bal. Inv.,	300	00
						" Loss and Gain,	60	00
		360	00				360	00
To Balance,		300	00					

INTEREST.

		180	00			By Loss and Gain,	180	00
--	--	-----	----	--	--	-------------------	-----	----

EXPENSE.

		1260	00			By Coal on hand,	50	00
						" Loss and Gain,	1210	00
		1260	00				1260	00
To Coal on hand,		50	00					

SALARY.

		1000	00			By Loss and Gain,	1000	00
--	--	------	----	--	--	-------------------	------	----

DR.	RENT				CR.
		650	00	By Amt. paid in advance	100 00
				" Loss and Gain,	550 00
		650	00		650 00
To Amt. paid in advance		100	00		

W. R. WRIGHT.

		\$ 402	00	By Balance,	206 00
					196 00
		402	00		402 00
To Balance,		196	00		

ALBERT STRONG.

		150	00		540 00
		390	00		
		540	00	By Balance,	540 00
To Balance,					390 00

J. B. LAMB.

		430	00		2430 00
		2000	00		
		2430	00	By Balance,	2430 00
To Balance,					2000 00

H. VANGESEN.

		1340	00	By Balance,	680 00
					660 00
		1340	00		1340 00
To Balance,		660	00		

THOS. VINCENT.

		740	00	By Bad Debts,	310 00
					430 00
		740	00		740 00

L. F. PURDY.

		120	00		670 00
		550	00		
		670	00	By Balance,	670 00
To Balance,					550 00

R. FITZGERALD.

					716 00
--	--	--	--	--	--------

Dr. BAD DEBTS. *Cr.*

	To Thomas Vincent,	430	00		By Loss and Gain,	430	00
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LOSS AND GAIN.

	To Real Estate,	500	00		By Mdse.,	9300	00
	“ Store Furniture,	60	00				
	“ Interest,	180	00				
	“ Expense,	1210	00				
	“ Salary,	1000	00				
	“ Rent,	550	00				
	“ Bad Debts,	430	00				
	“ J. G. McCaw,	2685	00				
	“ T. N. Proulx,	2685	00				
		9300	00			9300	00

ANSWER TO QUESTION 3.

Dr. INTEREST AND DISCOUNT. *Cr.*

To J. Simpson & Co.,	17	60	By W. Dawson,	5	70
“ Bills Payable,	9	20	“ Copp, Clark Co.,	6	30
“ Cash,	35	00	“ Bills Receivable,	7	10
“ Intelligencer Co.,	6	90	“ Interest, accumulated on Bills Receivable at close of year,	39	00
			“ Loss and Gain,	10	60
	68	70		68	70
To Interest, accumulated on Bills Rec., brought down,	39	00			

Dr. EXPENSE. *Cr.*

To Cash,	39	00	By 10 tons of coal on hand,	75	00
“ Downey & Co.,	180	00	“ Loss and Gain,	58	00
“ Bills Payable,	300	00			
“ Cash,	136	00			
	655	00		655	00
To Coal on hand,	75	00			

ANSWER TO QUESTION 4.

(a) Expense	Dr.,	\$ 8 30
Advertising	"	56 50
Merchandise	"	190 10
(Student)	"	2 00

To The *Times* Printing Co., \$256 90

(b) The <i>Times</i> Printing Co.,	Dr.,	\$256 90
To Discount,		\$ 12 85
" Bank of Com.,		244 05

Belleville, Ont., January 6, 1908.

(c)
\$244.05

At sight, for value received, pay to the order of ourselves two hundred and forty-four 05/100 dollars, and charge to the account of

To (Student), The *Times* Printing Co., Limited,
Belleville, Ontario. per pro. John S. Miller.

ANSWER TO QUESTION 5.

(a) R. Lovell & Co.,	Dr.,	\$600 00
	To James Ford & Co.,	\$600 00
(b) Student,	Dr.,	600 00
	To Bills Payable,	600 00
(c) Bills Receivable,	Dr.,	600 00
	To Student,	600 00
(d) Bills Payable,	Dr.,	600 00
	To Bank,	600 00

(e) Belleville, Ont., March 9, 1908.
\$600.00

Sixty days after sight, pay to the order of Robert Lovell & Co., the sum of six hundred dollars, for value received, and charge to the account of

To Messrs. James Ford & Co., (Student's) signature here.
Toronto, Ont.,

Accepted
March 11th,
1908, payable at
the Imperial
Bank, Toronto.
James Ford
& Co.

(f) I drew on James Ford & Co., because they were indebted to me; and I made the draft payable to Robert Lovell & Co., because I was indebted to them, and desired to pay them the sum of James Ford & Co.'s debt due to me.

ANSWER TO QUESTION 6.

(a) Montreal, April 29, 1908.
\$543.20

Three months after date I promise to pay to the order of the *Times* Printing Co., Limited, the sum of five hundred and forty-three 20/100 dollars at the Bank of Commerce here, for value received.

(Student's signature.)

(b) Bills Payable,	Dr.	\$500 00	
<i>Times</i> Printing Co.,	"	43 20	
To Bills Payable,			\$543 20

(c) Bills Receivable,	Dr.	\$543 20	
To Bills Receivable,			500 00
" (Student),			43 20

ANSWER TO QUESTION 7.

(a) Edward Allen, Sons & Co., Dr.	\$973 33	
To Bills Payable,		\$973 33

(b) Edward Allen, Sons & Co., Dr.	\$511 48	
To Bank of Montreal,		\$511 48

(c) £200 Manchester, England, June 9, 1908.

Sixty days after sight of this first of exchange (second of the same date and tenor unpaid) pay to the order of the Manchester Banking Company the sum of two hundred pounds sterling, for value received, and charge to the account of

To Student's name, Edward Allen, Sons & Co.
Belleville, Ont., Can.

Accepted
June 18, 1908,
payable at the
Bank of
Montreal,
Belleville,
(Student's
Signature)

ANSWER TO QUESTIONS 9 AND 10.

Cash,	Dr.	175	00		
Merchandise,	"	9300	00		
Bank of Montreal,	"	3700	00		
Plant,	"	7200	00		
Bills Receivable,	"	6800	00		
Office Furniture,	"	500	00		
Real Estate,	"	7200	00		
Thos. Jones,	"	136	00		
R. J. Wells,	"	87	00		
	To Mortgage Payable,			2800	00
	" Bills Payable,			13700	00
	" John West & Co.,			180	00
	" John Thompson,			420	00
	" J. R. Anderson, Capital Account,			8999	00
	" N. Kennedy, Capital Account,			8999	00
J. R. Anderson, Capital Account, Dr.		280	00		
N. Kennedy, Capital Account, "		280	00		
	To John Fraser & Co.,			560	00

DR. J. R. ANDERSON, CAPITAL ACCOUNT. CR.

To John Fraser & Co.,	\$ 280	00	By Sundries,	\$8999	00
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N. KENNEDY, CAPITAL ACCOUNT.

To John Fraser & Co.,	280	00	By Sundries,	8999	00
-----------------------	-----	----	--------------	------	----

CASH.

To Sundries,	175	00
--------------	-----	----

MERCHANDISE.

To Sundries,	9300	00
--------------	------	----

BANK OF MONTREAL.

To Sundries,	3700	
--------------	------	--

PLANT.

To Sundries,	7200	
--------------	------	--

BILLS RECEIVABLE.

To Sundries,	6800	
--------------	------	--

DR.

OFFICE FURNITURE.

CR.

	To Sundries,	500							
--	--------------	-----	--	--	--	--	--	--	--

REAL ESTATE.

	To Sundries,	\$7200	00						
--	--------------	--------	----	--	--	--	--	--	--

THOS. JONES.

	To Sundries,	136	00						
--	--------------	-----	----	--	--	--	--	--	--

R. J. WELLS.

	To Sundries,	87	00						
--	--------------	----	----	--	--	--	--	--	--

MORTGAGE PAYABLE.

						By Sundries,	\$2800	00	
--	--	--	--	--	--	--------------	--------	----	--

BILLS PAYABLE.

						By Sundries,	13700		
--	--	--	--	--	--	--------------	-------	--	--

JOHN WEST & CO.

						By Sundries,	180		
--	--	--	--	--	--	--------------	-----	--	--

JOHN THOMPSON.

						By Sundries,	420		
--	--	--	--	--	--	--------------	-----	--	--

JOHN FRASER & CO.

						By Sundries,	560		
--	--	--	--	--	--	--------------	-----	--	--

ANSWER TO QUESTION 11.

(a)	Bills Payable,	<i>Dr.</i>	\$500 00	
	Interest,	"	3 50	
	To Bank,			\$250 00
	" Bills Payable,			253 50
(b)	Bills Payable,	<i>Dr.</i>	500 00	
	Interest,		3 50	
	To R. Brown,			503 50
	AND			
	R. Brown,	<i>Dr.</i>	503 50	
	To Bank,			250 00
	" Bills Payable,			253 50

NOTE.—The entries for "B" may take several forms, which you may try. They will all, however, produce the same effect on the Ledger.

ANSWER TO QUESTION 12.

(a)	Cash,	<i>Dr.</i>	\$250 00	
	Bills Receivable,	"	253 50	
	To Bills Receivable,			500 00
	" Interest,			3 50
(b)	Student	<i>Dr.</i>	503 50	
	To Bills Receivable,			500 00
	" Interest,			3 50
	AND			
	Cash,	<i>Dr.</i>	250 00	
	Bills Receivable,	"	253 50	
	To Student,			503 50

NOTE.—As in "B" of No. 9, the entries for "B" in No. 10 may take several forms.

ANSWER TO QUESTION 13.

Toronto, September 9, 1908.

\$582.73

Ten days after date, pay to the order of C. J. Boyd & Son, the sum of five hundred and eighty-two 73/100 dollars, for value received, and charge to the account of

Accepted,
payable at the
Bank of
Commerce,
Belleville,
(Student's
Signature.)

To (Students name and address). C. J. Boyd & Son.

(b)	Bills Receivable	<i>Dr.</i>	\$582 73	
	Discount,	"	17 27	
	To Student,			600 00
(c)	C. J. Boyd & Son,	<i>Dr.</i>	600 00	
	To Bills Payable,			582 73
	" Discount,			17 27

NOTE.—There may be variations in "B" and "C," but the result in the Ledger will be the same.

(d)	Bills Payable	Dr.	582 73
	To Bank,		582 73

NOTE.—The words of the Acceptance are written across the face of the Draft. See examples at page 71.

You will find Single Entry Bookkeeping explained and illustrated, and contrasted with the Double Entry system, and the former changed to the latter, at pages 88 to 99.

Refer to these pages and study them carefully.

ANSWER TO QUESTION 14.

H. C. McNEIL'S STATEMENT, SEPTEMBER 10, 1908.

ACCOUNTS, ETC.		Folios	RESOURCES		LIABILITIES	
S. L. Pierce & Co.	Cr. Balance of Acct.	1			\$ 157	80
A Clark,	Dr. " "	1	\$ 420			
C. F. Spencer,	" " "	1	215			
H. Knowles,	" " "	2	68	70		
J. E. Fry,	Cr. " "	2			81	50
R. R. Starr,	" " "	2			74	10
E. Freeman & Co.,	" " "	2			17	80
S. Edwards,	Dr. " "	2	30	30		
D. L. Carley,	Cr. " "	2			78	40
J. C. Jamieson & Co.,	" " "	3			119	50
J. A. Masters,	Dr. " "	3	280			
A. G. Butterfield,	" " "	3	68	40		
R. A. Foss,	Cr. " "	3			178	40
Merchandise,	As per Inventory,		5890			
Bills Receivable,	Balance per B. B.,		200			
Mortgage Receivable,	Of John Smith,		750			
Interest,	Accum. on above,		68			
Bills Payable,	Balance per B. B.,				400	00
Cash,	Balance on hand,		19	80		
Bank of Montreal,	On Deposit,		160	20		
H. C. McNeil's Investment,.....	\$3800 00					
" Withdrawals,.....	500 00					
" Net Investment,.....	\$3300 00					
" Gain,.....	3762 90					
" Present Capital,					7062	90
			\$8170	40	\$8170	40

Dr. H. C. McNEIL, CAPITAL ACCOUNT. Cr.

1908	10	To Current Account,	500	00	1907	11	By Investment,	\$ 3800	00
Sept	"	" Balance,	7062	90	Sept	"	" Net Gain as per	3762	90
					1908	10	statement,	7562	90
			\$ 7562	90					

Sept | 10 | By Balance, 7062 | 90

DR.

J. C. JAMIESON & CO.

CR

Sept	10	To Balance,	50	00			169	50
			119	50				
			169	50			169	50
		Sept | 10 | By Balance,					119	50

J. A. MASTERS.

			280	00				
--	--	--	-----	----	--	--	--	--

A. G. BUTTERFIELD.

			168	40	Sept	10	By Balance,	100	00
								68	40
			168	40				168	40
Sept	10	To Balance,	68	40					

R. A. FOSS.

							178	40
--	--	--	--	--	--	--	-----	----

MERCHANDISE.

Sept	10	To Balance Inventory	5890	00				
------	----	----------------------	------	----	--	--	--	--

BILLS RECEIVABLE.

Sept	10	To Balance of notes on hand,	200	00				
------	----	------------------------------	-----	----	--	--	--	--

MORTGAGE RECEIVABLE.

Sept	10	To Bal. due on mort'ge	750	00				
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INTEREST.

Sept	10	To Balance as per statement,	68	00				
------	----	------------------------------	----	----	--	--	--	--

BILLS PAYABLE.

					Sept	10	By Balance of notes outstanding,	400	00
--	--	--	--	--	------	----	----------------------------------	-----	----

CASH.

Sept	10	To Balance on hand,	19	80				
------	----	---------------------	----	----	--	--	--	--

BANK OF MONTREAL.

Sept	10	To Balance on deposit	160	20				
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ANSWER TO QUESTION 15.

Woodstock, Ont., June 5th, 1908.

\$450 00.

Three months after date, I promise to pay to John Jones, or order, at the Canadian Bank of Commerce, Toronto, the sum of four hundred and fifty dollars, for value received.

Robert White.

(a) Indorsed as follows on the back :

Pay to the order of John Foster,

John Jones,

John Foster,

James Scott.

(b)	Bills Receivable,	\$450 00	
	To Robert White,		\$450 00
	John Foster,	450 00	
	To Bills Receivable,		450 00
(c)	Bills Receivable,	450 00	
	To John Jones,		450 00
	James Scott,	450 00	
	To Bills Receivable,		450 00
(d)	Bills Receivable,	450 00	
	To John Foster,		450 00
	Bank,	442 78	
	Discount,	7 22	
	To Bills Receivable,		450 00

(e) The Bank (the holder) should notify the indorsers of dishonor, not later than the next business day, in order to retain recourse against them. This is done by handing the note to a notary public, who will demand payment at the place of payment. Being answered "No Funds," or "Not Sufficient Funds," he writes out a Protest and mails a Notice of Protest to each indorser, not later than the next business day after the note matured.

(f) The holder has absolute recourse to the maker, and also recourse against each indorser, provided they have been legally notified of dishonor.

(g) As between the parties to the note, the last indorser being obliged to pay, has recourse against all prior indorsers and the maker; the second indorser, against the first indorser and the maker; the first indorser against the maker only; the maker, being the primary debtor, has no recourse.

ANSWER TO QUESTION 16.

Sundries to John Boyd's Capital Account.....			14000	00
Cash.....	5000	00		
Real Estate.....	4000	00		
Plant.....	3000	00		
Bills Receivable.....	2000	00		
For effects invested				
John Boyd's Capital Account to Sundries.....	2000	00		
Mortgage Payable.....			1000	00
R. C. Wilson.....			500	00
Bills Payable.....			500	00
For liabilities assumed.				
Sundries to Samuel Shepard's Capital Account.....			13000	00
Cash.....	10000	00		
Bills Receivable.....	500	00		
S. Bradshaw.....	300	00		
Merchandise.....	2200	00		
For effects invested.				
Samuel Shepard's Capital Account to Sundries.....	1000	00		
Bills Payable.....			600	00
T. J. Burns.....			400	00
For liabilities assumed.				

ANSWER TO QUESTION 17.

(a) Bills Rec.,	\$ 3 00	
To Interest,		\$ 3 00
(b) Interest,	5 00	
To Bills Payable,		5 00
(c) Merchandise,	57 00	
To R. Brown,		57 00

ANSWER TO QUESTION 18.

(a) My note for \$400 was renewed. I received back the old note and gave a new one for \$405, being the amount of the old note, plus interest on renewal.

(b) I renewed for a customer his note for \$758. I returned the old note and received a new one for the amount of the old one, plus interest on renewal.

(c) I retired, by cheque on the Bank of Commerce, John Duncan & Co.'s draft on demand. The debt for which they drew was \$300, plus 75 cents, being $\frac{1}{4}$ of 1% bank commission; or I bought a Bank Draft to remit.

ANSWER TO QUESTION 19.

(a)

Toronto, Ont., January 5, 1908.

\$500.00

Sixty days after date pay to the order of Robert Gordon
the sum of five hundred dollars, for value received, and charge
to the account of

To Chas. Young,
Belleville, Ont.

John Hardy.

Indorsed on back,
Robert Gordon.

(b)	Robert Gordon,	\$500 00	
	To Chas. Young,		\$500 00
(c)	Bills Receivable,	500 00	
	To John Hardy,		500 00
(d)	John Hardy,	500 00	
	To Bills Payable,		500 00
(e)	Student's name,	500 00	
	To Bills Receivable,		500 00
(f)	Bills Receivable,	500 00	
	To Robert Gordon,		500 00

(g) I have recourse against the acceptor, the drawer, and the indorser.

Should the indorser be obliged to pay, he has recourse against the drawer and the acceptor; should the drawer be obliged to pay, he has recourse against the acceptor only; should the acceptor pay, he, being the primary debtor, has no recourse.

(h) Just like the maker of a note, the liability of the acceptor of a draft is absolute, but the liability of the drawer and indorser of the bill is contingent upon their being legally notified of dishonor. This must be done not later than the next business day after maturity. The holder being refused payment, he will hand the acceptance to a Notary Public to be protested. The Notary will demand payment at the proper place, and being answered "No Funds" will write out a protest, and mail a Notice of the protest to the indorser and drawer not later than the business day following the maturity of the bill.

ANSWER TO QUESTION 20.

(a)

Belleville, Ont., February 9, 1908.

\$468.58

Ten days after sight pay to the order of myself the sum of
four hundred and sixty-eight 58/100 dollars, for value received,
and charge to the account of

To C. Ackerman,
Kingston, Ont.

(Student's name).

Accepted, February
10, 1908, payable at the
Merchants Bank,
Kingston,
C. Ackerman.

(b) Bills Rec.,	\$468 00	
Discount,	12 00	
To C. Ackerman,		\$480 00
—OR—		
Bills Rec.,	468 58	
Discount,	11 42	
To C. Ackerman,		480 00
—OR—		
Bills Rec.,	468 58	
Discount,	12 00	
To C. Ackerman,		480 00
“ Exchange,		58
(c) Student,	480 00	
To Discount,		11 42
“ Bills Pay.,		468 58
—OR—		
Student,	480 00	
Exchange,	58	
To Bills Pay.,		468 58
“ Discount,		12 00
(d) Bills Pay.,	468 58	
To Bank,		468 58

ANSWER TO QUESTION 21.

JOHN SMITH.

To Mdse.,	\$ 960 00	By Bills Rec.,	\$ 960 00
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MERCHANDISE.

		By John Smith,	960 00
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BILLS RECEIVABLE.

To John Smith,	960 00	By Cash,	500 00
“ Bills Rec.,	460 00	“ Bills Rec.,	460 00
“ Interest,	6 70		

CASH.

To Bills Rec.	500 00		
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INTEREST.

		By Bills Receivable,	6 70
--	--	----------------------	------

ANSWER TO QUESTION 22.

DR.	MERCHANDISE.	CR.
To Student,	960 00	
STUDENT.		
To Bills Payable,	960 00	By Merchandise, 960
BILLS PAYABLE.		
To Bank,	500 00	By Student, 960 00
" Bills Payable,	460 00	" Bills Payable, 460 00
		" Interest, 6 70
BANK.		
		By Bills Payable, 500 00
INTEREST.		
To Bills Payable,	70	

ANSWER TO QUESTION 23.

(a)	Bank,	\$1558 05
	Discount,	1 95
	To S. Miller & Co.,	\$750 00
	" M. Anthony,	630 00
	" D. Stalker,	180 00

(b) Belleville, Ont., March 5, 1908.
\$750.00

Three days after sight pay to the order of myself the sum of seven hundred and fifty dollars, for value received, and charge to the account of

To S. Miller & Co., Student's name.

St. John, N.B.

ANSWER TO QUESTION 24.

(a) Montreal, June 7, 1908.
\$877.19.

Seven days after sight pay to the order of ourselves the sum of eight hundred and seventy-seven 19/100 dollars, for value received, and charge to the account of

To (Student's name), C. O. Baylis & Co.

Belleville, Ont.

Accepted
June 10, 1908,
payable at the
Bank of
Commerce,
Belleville,
(Student's
name.)

NOTE.—The words of the acceptance are written across the face of the Draft, see examples at page 71.

(b)	Bills Rec.,	\$877 19	
	Discount,	22 81	
	To Student,		\$500 00
	" Bills Rec.,		400 00
	—OR—		
	Bills Rec.,	875 00	
	Discount,	25 00	
	To Student,		500 00
	" Bills Rec.,		400 00
	—OR—		
	Bills Rec.,	877 19	
	Discount,	25 00	
	To Student,		500 00
	" Bills Rec.,		400 00
	" Exchange,		2 19
(c)	C. O. Baylis & Co.,	500 00	
	Bills Pay.,	400 00	
	To Bills Payable,		877 19
	" Discount,		22 81
	—OR—		
	C. O. Baylis & Co.,	500 00	
	Bills Pay.,	400 00	
	Discount (exch.),	2 19	
	To Bills Payable,		877 19
	" Discount,		25 00
(d)	Bills Payable,	877 19	
	To Bank,		877 19

ANSWER TO QUESTION 25.

(a)	Bills Receivable,	560 00	
	To Richard Rowe,		560 00
(b)	Student,	560 00	
	To Bills Payable,		560 00
(c)	Bank,	562 41	
	To Bills Rec.,		560 00
	" Interest,		2 41
	—OR—		
	Bank,	562 41	
	Discount,	7 79	
	To Bills Rec.,		560 00
	" Interest,		10 20
(d)	Bills Payable,	560 00	
	Interest,	10 20	
	To Bank,		570 20

(e)

\$560.00

Montreal, June 5, 1908.

Three months after date I promise to pay to the order of (student's name) the sum of five hundred and sixty dollars, at the Merchants Bank in Montreal, with interest at the rate of seven per cent. per annum, as well after as before maturity, until paid, for value received.

Richard Rowe.

ANSWER TO QUESTION 26.

(a)	Merchandise,	500 00	
	To R. Wright & Co.,		500 00
(b)	R. Wright & Co.,	500 00	
	To Bills Payable,		500 00
(c)	R. Wright & Co.,	300 00	
	To Bank,		300 00
(d)	Bills Payable,	500 00	
	Interest,	3 00	
	To R. Wright & Co.,		503 00
	—AND—		
	R. Wright & Co.,	203 00	
	To Bills Payable,		203 00
	—OR, COMBINED—		
	Bills Payable,	500 00	
	Interest,	3 00	
	To Bills Payable,		203 00
	“ R. Wright & Co.,		300 00
(e)	Bills Payable,	203 00	
	To Bank,		203 00

NOTE.—It is interesting to note how many different forms the Journal entry may take for D, and for C. and D combined. Try them.

ANSWER TO QUESTION 27.

(a)	Bills Receivable,	400 00	
	To R. Strong,		400 00
(b)	Bank,	394 25	
	Discount,	5 75	
	To Bills Receivable,		400 00
(c)	Overdue Bills Receivable,	400 00	
	To Bank,		400 00
(d)	Bills Receivable,	404 66	
	To Overdue Bills Rec.,		400 00
	“ Interest,		4 66

(e)
\$400.00

Belleville, Ont., June 20, 1908.

Three months after date I promise to pay to (student's name) or order, at the Bank of Commerce here, the sum of four hundred dollars, for value received.

R. Strong.

ANSWER TO QUESTION 28.

I retired my note of \$400.00 held by J. Brown, and also settled my account with him amounting to \$300.00, as follows: I got a discount of 5% off the amount of the account, \$15.00, I gave my cheque on the Bank of Commerce for \$285.00, a note, I held against another for \$200.00, and I drew a draft on R. Jones in favor of J. Brown for \$200.00.

ANSWER TO QUESTION 29.

(a) Montreal, Sept. 3, 1908.
\$250.00.

Three days after sight pay to the order of myself the sum of two hundred and fifty dollars, for value received, and charge to the account of

To John Smith & Co., (Student's signature.)
Sherbrooke, Que.,

Montreal, Sept. 3, 1908.

\$250.00.

Three days after sight pay to the order of R. Lovell & Co. the sum of two hundred and fifty dollars, for value received, and charge to the account of

To John Smith & Co., (Student's signature.)
Sherbrooke, Que.

(Across each draft the drawee will write) Accepted September 5, 1908. Payable at the Bank of Montreal Sherbrooke. John Smith & Co.

(b)	Bills Receivable,	\$250 00	
	R. Lovell & Co.,	250 00	
	To J. Smith & Co.,		300 00
	" Bills Receivable,		200 00
(c)	Bills Payable,	200 00	
	Student,	300 00	
	To Bills Payable,		500 00
(d)	Bills Receivable,	250 00	
	To Student,		250 00
(e)	Bills Payable,	500 00	
	To Bank,		500 00

ANSWER TO QUESTION 30.

(a)	Merchandise,	\$120 00	
	Bills Payable,	300 00	
	Interest,	2 70	
	To R. Burns & Co.,		422 70
	R. Burns & Co.,	422 70	
	To Bills Payable,		422 70
	—OR—		
	Bills Payable,	300 00	
	To R. Burns & Co.,		300 00
	R. Burns & Co.,	300 00	
(b)	Merchandise,	120 00	
	Interest,	2 70	
	Bills Receivable,	422 70	
	To Student,		422 70
	—OR—		
	Student,	300 00	
	To Bills Receivable,		300 00
	Bills Receivable,	422 70	
	To Student,		300 00
	" Interest,	2 70	
(c)	" Merchandise,	120 00	

Belleville, Ont., March 17, 1908.

\$422.70

Three months after date I promise to pay to the order of R. Burns & Co., at the Merchants Bank here, the sum of four hundred and twenty-two 70/100 dollars, for value received.

(Student's signature.)

ANSWER TO QUESTION 31.

(a)	John Macdonald & Co.,	680 00	
	To Bank,		200 00
	" Bills Rec.,		150 00
	" Bills Pay.,		150 00
(b)	" J. McIntosh,		180 00
	Cash,	200 00	
	Bills Rec.,	480 00	
(c)	To Student,		680 00
	Student,	180 00	
	To Bills Pay.,		180 00

(d)

Woodstock, Ont., October 1, 1908.

\$150.00

Three months after date I promise to pay to the order of John Macdonald & Co., at their office in Toronto, the sum of one hundred and fifty dollars, for value received.

(Student's signature).

Woodstock, Ont., October 1, 1908.

\$180.00

Thirty days after date pay to the order of John Macdonald & Co., the sum of one hundred and eighty dollars, for value received, and charge to the account of

To J. McIntosh,
Kingston, Ont.

(Student's signature).

ANSWER TO QUESTION 32.

(a)

Hamilton, Ont., December 9, 1908.

\$250.00.

Thirty days after date pay to the order of ourselves the sum of two hundred and fifty dollars, for value received, and charge to the account of

To (Student's name),
Belleville, Ont.

Isaac Waterman & Co.

Belleville, Ont., December 9, 1908.

\$130.00.

Ten days after sight pay to the order of Isaac Waterman & Co., the sum of one hundred and thirty dollars, for value received, and charge to the account of

To J. Cameron,
Brantford, Ont.

(Student's signature).

Accepted,
payable at my
office in
Belleville.
(Student's
signature).

Accepted,
December 12, 1908,
payable at
the Bank of
Montreal,
Brantford,
J. Cameron.

NOTE.—The words of the Acceptance should be written across the face of the draft. See examples at page 71

(b)

Merchandise, \$500 00

I. Waterman & Co., 80 00

To Bank, 200 00

" Bills Payable, 250 00

" J. Cameron, 130 00

(c)

Cash, \$200 00

Bills Receivable, 380 00

To Merchandise, 500 00

" Student, 80 00

(d)

Student, 130 00

To Bills Payable, 130 00

ANSWER TO QUESTION 33.

(a)	Bank,	\$891 28	
	Discount,	8 72	
	To Bills Rec.,		900 00
	Bank,	397 83	
	Discount,	2 17	
	To Bills Payable,		400 00
	—OR TOGETHER—		
	Bank,	1289 11	
	Discount,	10 89	
	To Bills Receivable,		900 00
	“ Bills Payable,		400 00

(b) Before discounting I would be required to indorse the Note and Acceptance, which would make me liable for their payment in case of dishonor, provided I was legally notified.

Rogers is in the position of security for me. If I fail to pay the Note at maturity, the holder has recourse to him, provided he is legally notified of dishonor.

(c) DR.	CASH.		CASH	CR.
To Bills Rec., Dis. \$400, \$500 B.R., No. 620, 623,	\$ 900 00		By Bank, Proceeds of B.R.'s, No. 620 and 623 discounted,	\$ 891 28
To Bills Payable, Dis. B.P., No. 403,	400 00		By Discount, on above “ Bank, Proceeds of B. P., No. 403, dis- counted,	8 72 397 83
			“ Discount, on above	2 17

ANSWER TO QUESTION 34.

DR.		PLANT.				CR.	
	To Cash,	17800	00		By Inventory,	17120	00
					" Loss and Gain	680	00
		17800	00			17800	00
To Inventory,		\$17120	00				

OFFICE FURNITURE.

To Cash,	780 00	By Loss and Gain (10% depreciation), By Balance,	78 00 702 00
	780 00		780 00
To Balance,	702 00		

ANSWER TO QUESTION 35.

DR.		CASH.		CONTRA.		CR.
Date (a)	Folio			Date Folio		
		To Bank,	238 10		By John Wanamaker,	250 00
		" Discount,	12 50		" Interest,	60
					Settlement of Acct. by Bank Draft,	
					Exchange on Draft,	
					—OR—	
		To Bank,	238 10		By John Wanamaker,	250 00
		" Discount,	11 90		Settlement of Acct. by Bank Draft,	
		To Student,			By Discount,	12 50
					5 per cent. allowed off Student's Acct. settled by Bank Draft,	

If a were put through the Journal, the entry would be either:

John Wanamaker,	250 00	John Wanamaker,	250 00
Interest	60	OR	
To Bank,	238 10	To Bank,	238 10
" Discount,	12 50	" Discount,	11 90

(b)

ANSWERS TO QUESTIONS 36 AND 37.

(a)	Merchants Bank.....	\$10000	00		
	Shares in Consumers' Gas Co.....	15000	00		
	Mortgage Receivable.....	18000	00		
	Bills Receivable.....	700	00		
	C. Thompson.....	83	00		
	R. Macfarlane.....	120	00		
	Thos. Brown.....	300	00		
	J. C. Lattimer.....	25	00		
	To John Jones' Estate.....			\$44228	00
	John Jones' Estate.....	4818	00		
	To Mortgage Payable.....			2000	00
	" Bills Payable.....			1500	00
	" W. Pringle.....			700	00
	" W. B. Robinson.....			220	00
	" J. Hungerford.....			78	00
	" W. A. Murray & Co.....			320	00
	John Jones' Estate.....	255	00		
	To Arch. Thompson.....			52	00
	" James Brown.....			120	00
	" C. Thompson.....			83	00
	Interest.....	120	00		
	To John Jones' Estate.....			120	00

DR.

JOHN JONES' ESTATE.

CR.

To Sundries	4818	00	By Sundries	44228	00
" Sundries	255	00	" Interest	120	00

MERCHANTS BANK.

To Jones' Estate	10000	00			
------------------	-------	----	--	--	--

SHARES IN CONSUMERS' GAS CO.

To Jones' Estate	15000	00			
------------------	-------	----	--	--	--

MORTGAGE RECEIVABLE.

To Jones' Estate	18000	00			
------------------	-------	----	--	--	--

BILLS RECEIVABLE.

To Jones' Estate	700	00			
------------------	-----	----	--	--	--

C. THOMPSON.

To Jones' Estate	83	00	By Jones' Estate	83	00
------------------	----	----	------------------	----	----

R. MACFARLANE.

To Jones' Estate	120	00			
------------------	-----	----	--	--	--

J. C. LATIMER.

MORTGAGE PAYABLE.BILLS PAYABLE.W. PRINGLE.W. B. ROBINSON.J. HUNGERFORD.

W. A. MURRAY & Co.

ARCH. THOMSON.

JAMES BROWN.

INTEREST.

(b) See page 146, the last foot note.

(c) The first duty of an executor is to make a statement of the assets and liabilities of the deceased, and get the will probated.

(d) The first claims to be discharged are those of the funeral and the expenses of probate.

ANSWER TO QUESTION 38.

(a)	Brown Bros.	\$300 00	
	To Discount,		15 00
	" W. Miller & Co.,		285 00
(b)	Bills Receivable,	285 00	
	Discount,	15 00	
	To Student,		300 00
(c)	Student,	285 00	
	To Bills Payable,		285 00

Belleville, Ont., April 5, 1908.

(d) \$285.00.

Thirty days after date pay to the order of Brown Bros. the sum of two hundred and eighty-five dollars, for value received, and charge to the account of

To W. Miller & Co., (Student's signature.)
Toronto, Ont.

ANSWER TO QUESTION 39.

Belleville, Ont., June 3, 1908.

(a) \$525.00.

Three months after date I promise to pay to H. W. Parker & Co., or order, at the Bank of Commerce here, the sum of five hundred and twenty-five dollars, for value received.

(Student's signature.)

Belleville, Ont., September 6, 1908.

\$200.00.

At sight pay to the order of the Bank of Commerce the sum of two hundred dollars, for value received, and charge to the account of

To H. W. Parker & Co., (Student's signature.)
Toronto, Ont.

(b)	H. W. Parker & Co.,	525 00	
	To Bills Payable,		525 00
	Bills Rec.,	525 00	
	To Student,		525 00
(c)	Bank, .	199 50	
	Discount,	50	
	To H. W. Parker & Co.,		200 00
(d)	Student,	200 00	
	To Bank,		200 00
(e)	Bills Payable,	525 00	
	To Bank,		525 00

Belleville, Ont., June 10, 1908.

Three months after date I promise to pay to Samuel Baker, or order, at the Bank of Commerce here, the sum of five hundred dollars for value received.

Robert Jones.

Indorsed on back, "Samuel Baker."

(b) See answer at page 369 to question 15 (e).

(c)	Overdue Bill Rec.,	\$500 00	
	To Bank,		500 00

ANSWER TO QUESTION 41.

Posting direct to the Ledger from books of original entry is the method usually pursued in large business houses. Needless repetition of entries in various books is avoided; and not only is there a saving of labor effected, but the possibility of errors is lessened. The distribution of work among the office staff can be systematically made, with the responsibility which individual charge of a special book or books involves. One man has charge, respectively, of the Foreign Invoice-Book, the Domestic Invoice-Book, the Sales-Book, the Cash-Book, Bill-Books, Pay Sheets, etc., etc., while the chief accountant himself posts to the Ledger, to the respective accounts affected separately, and in totals to such accounts as Merchandise at stated periods. Read explanation at page 138.

ANSWER TO QUESTION 42.

DR.				SHARES IN BELLEVILLE GAS COMPANY.				CR.	
	To Cash,	2000	00		By Cash,	1000	00		
					" Balance, 10 shares	1000	00		
					at par on hand				
		2000	00			2000	00		
	To Bal., 10 shares								
	at par on hand,	1000	00						

CASH.

To B. G. Co. Shares,	1000	00	By G. B. Co. Shares,	2000	00
" Loss and Gain,	120	00			

LOSS AND GAIN.

					By Cash,	120	00
--	--	--	--	--	----------	-----	----

—OR—

SHARES IN BELLEVILLE GAS CO.

	To Cash,	2000	00		By Cash,	1120	00
	“ Loss and Gain,	120	00		“ Bal., 10 shares at		
			0		par on hand,	1000	00
		2120	00			2120	00
	To Bal., 10 shares						
	at par on hand	1000	00				

DR.

CASH.

CR.

	To B.G.Co., Shares,	1120	00		By B.G. Co., Shares,	2000	00
--	---------------------	------	----	--	----------------------	------	----

LOSS AND GAIN.

					By B.G. Co., Shares,	120	00
--	--	--	--	--	----------------------	-----	----

ANSWER TO QUESTION 43.

For an answer to this question read from page 88 to 99, particularly the fourth paragraph page 89, and the second and third paragraphs page 15.

ANSWER TO QUESTION 44.

A Trial Balance is nothing more than a test of the accuracy of the posting to the Ledger; in other words, you ascertain by taking a Trial Balance whether an equal debit and credit has been maintained in the Ledger. If the total debit footings and total credit footings agree, the presumption is that no mistakes have been made, and the presumption is generally correct. There might, however, be mistakes and the Ledger be in balance; for example, you charged to one account an amount that should have been charged to some other account; that is an error, but as the amount was placed on the right side of the Ledger, although in the wrong account, the Trial Balance would not be affected by it nor indicate it. See pages 39, 192, 206, 213 and 350.

A Balance Sheet is a comprehensive exhibit of the present condition of the business, and of the result of last year's operation or working. If properly made out it is a reliable abstract *from the Ledger accounts and the inventories*. See forms at pages 115, 214, 355 and 389, and description of a Balance Sheet at pages 94 and 95.

ANSWER TO QUESTION 45.

STOCK LEDGER.

W. THOMSON.

(a)	To R. Walker,	Shares 15	1500	00	By Cash,	Shares 15	1500	00
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R. WALKER.

					By W. Thomson,	Shares 15	1500	00
--	--	--	--	--	----------------	--------------	------	----

(b) The transfer would be made by W. Thomson signing the transfer at the company's office on the regular form. He would surrender his certificate of stock, which would be cancelled, and a new certificate would be issued to R. Walker.

(c) The transfer would be posted from the stub of the transfer book to the Stock Ledger, the seller being made Dr. to the buyer for the par value of the shares, as in example "A." The premium of 10% is a bonus paid by the buyer, with which the books of the company have nothing to do.

(d) The dividend is paid on the par value of the shares.

ANSWER TO QUESTION 46.

(a)	Merchandise,	3500 00	
	Discount,	20 00	
	To Bank,		1500 00
	" Bills Rec.,		1000 00
	" Bills Pay.,		800 00
	" C. Jones,		220 00
(b)	Cash,	1500 00	
	Bill Rec.,	2020 00	
	To Merchandise,		3500 00
	" Discount,		20 00
(c)	Student	220 00	
	To Bills Pay.,		220 00

ANSWER TO QUESTION 47.

- (a) See page 102.
 (b) See page 102.
 (c) Articles of co-partnership should be drawn up; for an example see form further on.

A declaration of a general partnership is required to be made (in Ontario) at the Registry Office of the County or City within six months from its formation.

- (d) For answer see pages 218 and 219.
 (e) For answer see page 219.

ANSWER TO QUESTION 48.

(a)	Expense,	\$150 00	
	To Landlord,		150 00
	Salary,	550 00	
	To Thos. Brown,		150 00
	" R. Jones,		150 00
	" C. Ross,		250 00
	Expense,	183 20	
	To City of Belleville,		183 20

(b) In order that the true financial position of a business shall be shown in the ledger and balance sheet at the end of the business year, it is necessary to ascertain what liabilities have accumulated in connection with such matters as salaries, rent, taxes, etc. Charge the amounts to the respective working accounts in order to show the expenses from these sources, and credit the amounts to the persons to whom the sums are owing.

ANSWER TO QUESTION 49.

(a)	G. Tucker,	500 00	
	To Bills Payable,		500 00
(b)	Bank,	246 88	
	Discount,	3 12	
	To Bills Payable,		250 00
(c)	Bills Payable,	500 00	
	To Bank,		500 00
(d)	Belleville, Ont., December 23, 1908.		
	\$500.00.		

Three months after date I promise to pay to the order of Geo. Tucker, at my office here, the sum of five hundred dollars, for value received.

(Student's signature.)

\$250.00.

Belleville, Ont., March 26, 1908.

Two months after date I promise to pay to the order of S. G. Ross, at the Bank of Montreal here, the sum of two hundred and fifty dollars, for value received.

Indorsement on back,

(Student's signature.)

S. G. Ross.

ANSWER TO QUESTION 50.

(a)	Belleville, Ont., March 26, 1908.		
	\$300.00.		

Thirty days after date pay to my order the sum of three hundred dollars, for value received, and charge to the account of

To John Brown,

(Student's signature.)

Toronto.

(b)	Bills Receivable,	\$300 00	
	To John Brown,		300 00
(c)	Bank,	298 80	
	Discount,	1 20	
	To Bills Receivable,		300 00
(d)	John Brown,	300 00	
	To Bank,		298 80
	" Discount,		1 20

ANSWER TO QUESTION 51.

(a)	Toronto, Ont., January 1, 1908.		
	\$1422.05.		

One hundred and twenty-eight days after date, pay to the order of myself the sum of fourteen hundred and twenty-two 05/100 dollars, for value received, and charge to the account of

To J. C. Flint & Co.,

(Student's signature.)

Montreal, Que.

Accepted,
payable at our
office in
Montreal,
J. C. Flint
& Co.

(b)	Bills Receivable,	1422 05	
	To J. C. Flint & Co.,		1422 05
(c)	Student,	1422 05	
	To Bills Payable,		1422 05

ANSWER TO QUESTION 52.

Wm. Jones,	318 04	
To Cash,		1 04
“ Bills Receivable,		300 00
“ Interest,		17 00
Cash,	212 02	
Loss and Gain,	106 02	
To Wm. Jones,		318 04

As will be seen, the best way in such a case is to put the transactions through the personal account.

ANSWER TO QUESTION 53.

- (a) See page 89.
 (b) See page 89.
 (c) See pages 90 to 99 and the rule at page 104.
-

ANSWER TO QUESTION 54.

I would suggest that a new set of accounts be opened at the next stock taking time, based upon a statement of the firm's assets and liabilities. See pages 261 and 262.

ANSWER TO QUESTION 55.

See page 263, and illustration, page 36, of the method of transferring an account from one page of the same Ledger to another page.

ANSWER TO QUESTION 56.

See page 285.

ANSWER TO QUESTION 57.

For first part see page 260.

“ second part see page 69.

ANSWER TO QUESTION 58.

See pages 19 to 24, 37 and 38, and 49 to 52.

ANSWER TO QUESTION 59.

DR.		BANK STOCK.				CR.	
	To Cash,	5000	00		By Cash,	1000	00
					" Balance,	4000	00
		5000	00			5000	00
	To Balance,	4000	00				

CASH.

	To Bank Stock,	1000	00		By Bank Stock,	5000	00
	" Loss and Gain,	100	00				

LOSS AND GAIN.

					By Cash,	100	00
--	--	--	--	--	----------	-----	----

—OR—

BANK STOCK.

	To Cash,	5000	00		By Cash,	1100	00
	" Loss and Gain,	100	00		" Balance,	4000	00
		5100	00			5100	00
	To Balance,	4000	00				

CASH.

	To Bank Stock,	1100	00		By Bank Stock,	5000	00
--	----------------	------	----	--	----------------	------	----

LOSS AND GAIN.

					By Bank Stock,	100	00
--	--	--	--	--	----------------	-----	----

ANSWER TO QUESTION 60.

See page 267, also page 63 and page 65.

Answer to Question 61 is on next page.

ANSWER TO QUESTION 61. STUDENT & JONES' BALANCE SHEET.

DATE.	TRIAL BALANCE.		Inventory.	REPRESENTATIVE.		STUDENT'S CAP. ACCT.		JONES' CAP. ACCT.		REAL.	
	Dr. Footings.	Cr. Footings.		Losses.	Gains.	Dr.	Cr.	Dr.	Cr.	Resources	Liabilities
Stud.'s Cap Ac.	1000 00	3320 00				1000 00	3320 00	1000 00	3320 00	2230 00	
Jones' " "	1000 00	3320 00								3720 00	
Bills Rec.	5420 00	3190 00									680 00
Merchandise...	7800 00	8791 00	3720 00		4621 00						
Bills Payable...	840 00	1520 00								500 00	
Cash.....	3800 00	3300 00									
Interest	87 50	98 90			11 40						
Expense.....	841 00			841 00							
Salary.....	629 00			629 00							
John Johnson .	390 00	160 00								230 00	
R. Sanderson .	420 00	560 00								1942 40	
Mortgage Rec.	1942 40										
	24259 90	24259 90									
				1581 20			1581 20		1581 20		
				1581 20				3901 20			
				4632 40	4632 40			4901 20	4901 20	8622 40	3901 20
						3901 20					3901 20
						4901 20		4901 20		8622 40	8622 40

Read pages 94 and 95 regarding Balance Sheets.

Student's Net Gain,
Jones' " "

Student's Net Gain,
Jones' " "

Read pages 94 and 95 regarding
Balance Sheets.

Student's Net Worth,
Jones' " "

ANSWER TO QUESTION 62.

See pages 325 and 326.

ANSWER TO QUESTION 63.

See page 226.

ANSWER TO QUESTION 64.

See page 281.

ANSWER TO QUESTION 65.

Badly muddled. Since the Dr. side of B. R. acct. shows the notes and acceptances received, and the credit side those disposed of, it follows that, if the books are properly kept, the credit side of this account can never be the larger. The Cr. side of B. P. acct. shows the notes and acceptances issued, and the Dr. side those redeemed, hence the credit side should be the larger if there are any outstanding obligations. The Dr. side of the Cash acct. shows the money received, and the Cr. side the money paid out, consequently the Dr. side should be the larger if there is a balance of cash on hand.

ANSWER TO QUESTION 66.

In order to arrive at the actual cost of merchandise, either purchased or manufactured, all that it cost should be charged to its account. Freight and cartage are part of the cost, and should be charged to the Merchandise acct., either at the times they are paid, or the total should be transferred from the Freight acct. to Merchandise acct. at the end of the year. If these plans are not pursued, but freight and cartage are charged to Freight acct. and it is closed into Loss and Gain direct at the end of the year, the effect, so far as the Loss and Gain acct. is concerned, is just the same.

ANSWER TO QUESTION 67.

(a) Make the Journal entry for the Assets and Liabilities after the manner of that on page 160, and the Journal entry for the new capital paid in, in the manner of that on page 160. When the entries have been posted, the General Ledger and the Stock Ledger will be as follows:

GENERAL LEDGER.

DR.	(b)	CAPITAL STOCK.				CR.
					By Sundries,	40000 00
					" Bank of Montreal,	40000 00
PLANT.						
	To Sundries,	11000	00			
REAL ESTATE.						
	To Sundries,	19000	00			
MERCHANDISE.						
	To Sundries,	8000	00			
CASH.						
	To Sundries,	1247	22			
BANK OF COMMERCE.						
	To Sundries,	3905	25			
THOS. HANLEY.						
	To Sundries,	81	00			
A. MANNING & Co.						
	To Sundries,	1165	10			
W. W. JONES & Co.						
	To Sundries,	35	00			
BILLS RECEIVABLE.						
	To Sundries,	15566	43			
BANK OF MONTREAL.						
	To Capital Stock,	40000	00			

DR.

THOS. WORKMAN & CO.

CR.

						By Sundries,	500	00
--	--	--	--	--	--	--------------	-----	----

ABBOTT-MITCHELL CO.

						By Sundries,	1500	00
--	--	--	--	--	--	--------------	------	----

BILLS PAYABLE.

						By Sundries,	18000	00
--	--	--	--	--	--	--------------	-------	----

STOCK LEDGER.

R. J. NESBITT.

						By 200 Shares,	20000	00
--	--	--	--	--	--	----------------	-------	----

CHAS. FISHER.

						By 200 Shares,	20000	00
--	--	--	--	--	--	----------------	-------	----

JAS. CARTER.

						By 100 Shares,	10000	00
--	--	--	--	--	--	----------------	-------	----

R. C. CLARK.

Date	To T. E. Hawkins 150 Shares, As Transfer No.—	15000	00			By 150 Shares,	15000	00
------	---	-------	----	--	--	----------------	-------	----

BENJ. BUTTERFIELD.

						By 50 Shares,	5000	00
--	--	--	--	--	--	---------------	------	----

J. F. TERRY.

						By 100 Shares,	10000	00
--	--	--	--	--	--	----------------	-------	----

T. E. HAWKINS.

						By R. C. Clark 150 Shares, As Transfer No.—	15000	00
--	--	--	--	--	--	---	-------	----

(c) Due and legal notice having been given by Nesbitt and Fisher of the dissolution of their partnership, they will not be personally liable for debts contracted by the new company, but, notwithstanding that the new company has undertaken to pay the liabilities of the old firm, Nesbitt and Fisher are still liable to pay them if the company should fail to do so. See "General Partnership" pages 218 and 219.

(d) Certificates of fully paid-up stock would be issued to each of the shareholders.

(e) Clark would sign the transfer in the Company's Transfer Book of the shares he sold to Hawkins, and deliver up his stock certificate. A new certificate would be issued to Hawkins, and from the stub of the Transfer Book, Clark would be made debtor to Hawkins, and Hawkins would be credited by Clark in the Stock Ledger. See example page 393.

ANSWER TO QUESTION No. 68.

(a) See pages 415 and 416.

(b) If the maker was utterly worthless and there was no hope of recovering from him, I would charge the amount to Loss and Gain account, but if the maker of the note were good for it, I would charge the amount to "Overdue Bills Receivable account."

ANSWER TO QUESTION No. 69.

See page 281.

ANSWER TO QUESTION No. 70.

The omission affects the Merchandise, Loss and Gain, and Partners' accounts. The gain shown on merchandise is less by \$1100 than it should be, and also the asset of merchandise is less than it ought to be to the same amount. The Loss and Gain account shows the net profit to be \$1100 less than it ought to be, and the gain and worth of each partner are \$550 less than they ought to be.

ANSWER TO QUESTION 71.

1. See page 8; 2, see page 67; 3, see pages 57 and 58; 4, see index for Bill of Lading; 5, see pages 77 to 79 and 116 to 117; 6, see page 174.

The questions set at recent examinations of the Institute of Chartered Accountants may be obtained on application to the Secretary at Toronto, or to J. W. Johnson, F. C. A., Belleville, Ontario.

ANSWERS TO QUESTION No. 72.

TRADING ACCOUNT.

[illegible]

*Red ink.

LOSSES AND GAINS.

	LOSSES.		GAINS.	
Depreciation of Machinery,	2030	88		
Provision for Bad Debts,	660	00		
Depreciation of Furniture, etc.,	136	80		
Rent,	3000	00		
Travelling Expenses,	1258	00		
Fire Insurance,	618	00		
Interest and Bank Charges,	592	00		
Horse Keep,	700	00		
Sundry Expenses,	2562	00		
Advertising,	782	00		
Bad Debts written off,	934	00		
Salary of Proprietors,	11000	00		
Interest on Proprietors' Investments,	4458	00		
Gain on Trading Account,			40500	00
*A's Gain,	5884	16		
*B's Gain,	5884	16		
	40500	00	40500	00

*Red ink.

RESOURCES AND LIABILITIES.

		RESOURCES.		LIABILITIES.	
Bills Payable.....				5578	
“ Receivable.....		992			
Machinery.....		31817	12		
Real Estate.....		9852			
Accounts Receivable.....		12540			
“ Payable.....				2594	
Furniture and Fittings.....		2143	20		
Cash.....		852			
Fire Insurance (unused).....		350			
Stock on hand.....		36252			
Wages due (unpaid).....				250	00
A's Investment,	45000 00				
“ Withdrawals,	9450 00				
	35550 00				
“ Salary,	7000 00				
“ Int. on Invt.,	2700 00				
“ Gain per Stat.,	5884 16				
	15584 16				
“ Net Worth,	51134 16			51134	16
B's Investment,	29300 00				
“ Withdrawals,	5700 00				
	23600 00				
“ Salary,	4000 00				
“ Int. on Invt.,	1758 00				
“ Gain per Stat.,	5884 16				
	11642 16				
“ Net Worth,	35242 16			35242	16
		94798	32	94798	32

ANSWER TO QUESTION No. 73.

(a) \$560.00.

Vancouver, B.C., June 6, 1908.

Three months after date I promise to pay to the order of John R. Holmes, at the Bank of Commerce here, the sum of five hundred and sixty dollars, for value received.

Indorsed on back:

(Student's signature).

John R. Holmes.

(b) Bank Dr., \$549 80
 Discount “ 10 20
 To Bills Payable, 560 00

(c) No entry. Keep a memorandum until the note is paid.

(d) Bills Payable, Dr., 560 00
 To Bank, 560 00

(e) In case of dishonor the holder would hand the note to a Notary Public to be protested for non-payment, and notice sent to the indorser, which must be done not later than the following business day after maturity.

A Word to Examiners.

Any of the Sets in Part I. of “The Accountant” might be given as Examination Questions in Primary Examinations; and Sets, or portions of Sets, in Part II. might be given in Advanced Examinations. Or, taking the Sets in Parts I. and II. as bases and as guides, the Examiner might prepare from them fresh examinations, as he might from the seventy-three Special Questions from pages 333 to 354.

--- THE ---

CANADIAN ACCOUNTANT.

PART III.

CONTAINING A COMPREHENSIVE SUMMARY OF COMMERCIAL
LAW, FORMS AND EXPLANATIONS OF LEGAL AND
BUSINESS PAPERS, COMMERCIAL
CORRESPONDENCE

--- AND ---

COMMERCIAL CALCULATIONS.

SUMMARY OF COMMERCIAL LAW.

Prepared by WILLIAM N. PONTON, M.A., Barrister-at-law and Notary Public, Belleville; Lecturer on Commercial Law at Ontario Business College.

ACTIONS AND COURTS.—By the Ontario Judicature Act, Law and Equity are administered concurrently. All the Superior Courts are consolidated together to form the Supreme Court of Judicature for Ontario, which consists of two permanent divisions, "The Court of Appeal for Ontario" and "The High Court of Justice for Ontario."

All actions in the High Court are commenced by a writ indorsed with a statement of the claim made or of the relief or remedy sought. The writ requires the defendant, if served in Ontario, to enter an appearance within ten days after service. After statement of claim the defendant may plead any legal defence or may set off or set up by way of counter-claim any claim which he has against the plaintiff. If the defendant claims indemnity or contribution or other remedy over against any third person, provision is made for service of notice on such third person. Speedy judgment may be applied for after a writ of summons has been issued, when it is made to appear to the Court that it will be conducive to the ends of justice. Inferior jurisdiction is exercised by County and Division Courts. County Courts (except in some few cases under recent Statutes) have no jurisdiction in actions where the title to land is in question, or where the validity of any devise is disputed, nor in actions of libel or slander. County Courts have jurisdiction in personal actions where claim does not exceed \$200. In all actions of debt and contract, where amount is liquidated or ascertained, they have jurisdiction up to \$600.

Division Courts are held frequently, and are presided over by the County Court Judges. There are ten Division Courts in the County of Hastings and ten in the County of York. The scale of costs is very low, and the Court has been called "the poor man's Court," which it is in more senses than one. The action should be brought in the Division where the Defendant resides or where the cause of action arose. The Court has jurisdiction in all personal actions to \$60, in all claims of debt or breach of contract to \$100, and where the amount is ascertained by the signature of the Defendant to \$200. The Judge may commit a Judgment Debtor to gaol for the several causes set out in the Division Courts' Act, R.S.O., cap. 60, Sec. 247.

ADMINISTRATION.—See page 146, and see "Wills."

AFFIDAVIT.—A Written Oath—He who makes a false Oath or Declaration is punished for the crime of perjury. See "Registration and Declaration," also "Bills of Sale and Evidence."

APPEAL.—There is (except in matters of discretion) an appeal allowed from a single Judge of the High Court to the full Court of three Judges or to the Court of Appeal for Ontario, thence in some cases to the Supreme Court of Canada, which sits at Ottawa; and, in very important cases, to the Judicial Committee of the Privy Council in England. An appeal is also allowed from the Judges of the County Court, and also in those Division Court actions where the amount involved exceeds \$100. The Judgment of a Magistrate may be appealed from to the Division Court or the Sessions, presided over by a County Court Judge.

APPROPRIATION OF PAYMENTS.—The buyer or debtor has the right to appropriate the payments made by him on account to whatever items he chooses. If he does not so appropriate, the person receiving the money may apply the payment even to reduce a debt barred by the Statute of Limitations (See Limitation page 404), or not otherwise recoverable at law.

ALIENS may hold real and personal property as freely as natural born subjects, but labor under disability as to the franchise or right to vote.

Aliens may become naturalized by taking the oath of allegiance to the Sovereign, and obtaining the sanction of a Judge in open Court or Sessions, after a certain period of residence. An Alien naturalized in one colony is not necessarily considered a British subject in another colony.

ARBITRATIONS are more frequently adopted for the settlement of disputes than formerly; while they are sometimes more expeditious, they are not always more inexpensive than ordinary law suits. Arbitrations may grow out of law suits, the Judge having power to refer the matters in question before him to one or more referees, especially where there are involved accounts. Nearly all Insurance Companies require claims to be arbitrated as to amount of loss when they are disputed. The price of lands expropriated by Railway Companies or by Municipalities for rights of way is generally ascertained by arbitration. An award should generally be under seal, and signed by all the arbitrators in presence of each other. Some references provide that the award signed by two out of the three arbitrators shall be binding. The award may be made a rule of Court, and afterwards enforced by judicial process. An award may be set aside if the arbitrators go beyond the scope of matters submitted to them, or if they impose conditions beyond their power. Also if any of them have been tampered with or unduly influenced, or if interested in the subject matter before them. Also if the award is palpably against law or evidence, or founded on hearsay evidence, or if one of the parties has been excluded from the proceedings. Care should be taken that the arbitrators do not exceed their powers under the reference, and provision should be made for disposing of the costs of the arbitration and award. One partner cannot bind his co-partners to submit a question affecting the firm's business to arbitration without their individual consent. The Statutes provide for arbitration in the cases of disputes between masters and workmen, injuries to employees, etc., etc. Professional arbitrators are entitled to from \$10 to \$20 per day. Non-professional arbitrators are allowed from \$5 to \$10 per day, or as may be agreed. Boards of Trade in cities have usually a committee of official arbitrators who adjudicate upon mercantile differences. Formerly war was the only arbiter of nations; now International Arbitration rather than bloodshed is the basis of Treaties, and frequently averts war and preserves peace.

ARREST for debt has been abolished, except in cases of fraudulent disposal or concealment of property liable for debt, and refusal to give proper answers on examination as a Judgment Debtor. In these cases, however, it is rather for contempt of Court and refusal to obey its orders than for debt, that imprisonment is decreed. Debtors may also be arrested on *capias* and held to bail, if it is proved to the satisfaction of the Judge, on behalf of a bona fide creditor, that the debtor is about to leave the jurisdiction with the design of defrauding creditors.

ASSIGNMENTS or transfers of property made on the eve of insolvency, with intent to prefer a creditor or benefit a relative or friend, to the prejudice of creditors generally, are null and void, and will be set aside by the Court. Assignments in trust should be made to the sheriff, or, with the consent of the majority of creditors, to some other responsible person. While the Statute forbids any preferential security being given for a debt where assets are deficient, it does not invalidate or make void any deed of assignment made by any debtor, for the purpose of paying and satisfying rateably and proportionably, and without preference or priority, all the creditors of such debtor, their just debts; or any bona fide sale of goods in the ordinary course of trade or calling to innocent purchasers. See R.S.O., cap. 147, and amendments, and legal decisions pronounced thereon, as cited in Mr. R. S. Cassels' excellent work upon the subject, specially prepared for business men, See *Insolvency*,

ATTACHMENT OF GOODS.—If any person resident in Ontario, indebted to any other person, departs from Ontario with intent to defraud his creditors, and at the time of his so departing is possessed of any property, he shall be deemed an absconding debtor, and his property may be seized for his debts by a writ of attachment. Upon affidavit made by any plaintiff, that any such person so departing is indebted to such plaintiff in a sum exceeding \$100.00, and stating the cause of action, and that deponent has good reason to believe, and does verily believe, that such person has departed from Ontario, and has gone with intent to defraud the plaintiff of his just dues, or to avoid being arrested or served, and was at the time possessed of real or personal property, not exempt by law from seizure, in this Province, and upon the further affidavit of two other credible persons that they are well acquainted with the debtor, and have good reason to believe, and do believe, that such debtor has departed from Ontario with intent to defraud the said plaintiff, or to avoid being arrested or served, either the High Court or the Judge of any County Court may direct a writ of attachment to issue, and may appoint the time for the defendant's putting in special bail. Procedure for attachment in Division Courts is, however, much more simple.

BILLS OF EXCHANGE AND PROMISSORY NOTES.—See pages 72 to 75 and beginning on page 409.

BILLS OF SALE AND CHATTEL MORTGAGES.—Every mortgage or sale of goods and chattels, not accompanied by an immediate delivery and followed by an actual and continued *change of possession*, must be in writing, and be accompanied by an affidavit of execution, and also by an affidavit by the mortgagee or bargainee, or his agent (if such agent is aware of the circumstances connected therewith and is properly authorized in writing to take such mortgage), as to the *bona fides* of such mortgage or bill of sale, and must be filed in the office of the Clerk of the County Court of the County where the goods are situate, within five days from its execution, otherwise such mortgage or sale will be void as against creditors of the mortgagor or bargainor, and as against subsequent purchasers, or mortgagees in good faith for valuable consideration. A chattel mortgage will cease to be valid after the expiration of one year from the filing, as against creditors or subsequent mortgagees, unless within thirty days preceding the expiration of the year, and so on from year to year, a statement is filed in the office of the Clerk of the County Court of the County where such goods are then situate, stating the interest of the mortgagee, and showing the payments made on account and the amount still due, accompanied by an affidavit by the mortgagee or his agent (authorized in writing) swearing to the truth of the statements, and that the mortgage is not kept on foot for any fraudulent purpose. Where goods are actually delivered and handed over to the purchaser, a Bill of Sale is not necessary, but is always advisable as evidence of the transaction. The goods should be described distinctly so as to be readily identified, and great care should be exercised in observing all the formalities required by the Act R. S. O., cap. 148, and amendments thereto. Chattel mortgages are often taken as collateral (additional and contemporaneous) security to Bills and Notes, and, if so, the fact should always be so expressed in such security. The affidavit of execution of the witness to a chattel mortgage must state the actual date of execution of the mortgage.

BONDS are obligations under seal wherein the obligors and sureties are bound in certain penal sums to the performance of certain conditions. If sureties are obliged to pay, they must, as between themselves, contribute proportionately. Bonds of indemnity are required by Banks when deposit receipts are lost, and by the Courts when a lost note is sued on. If the principal debtor is released the sureties will also be discharged.

CONTRACTS may be made by letters, telegrams and detached papers as well as by a formal instrument. Contracts made on Sunday are void, but may be ratified on a week day. Contracts are construed by the law of the place where made, and the *whole* contract, including recitals, is considered; the *custom of merchants* plays an important part in the decision of commercial cases. Specialty contracts are contracts under seal, which do not require any consideration to be expressed. Simple contracts are those not under

seal, whether verbal or written. Married women when contracting should expressly state that they are possessed of separate estate. A written contract cannot be varied or added to by parole (word of mouth) evidence.

A minor or infant may contract for necessities consistent with the minor's station in life. An infant may, after attaining 21, *ratify in writing* a contract made during minority. A will is not a contract, being always revocable by the testator. A contract, to be valid, requires the mutual assent of competent contracting parties, a good and valid consideration, something to be done or omitted, and a legal object. Contracts in absolute restraint of trade or to do any illegal act are held void for reasons of public policy. The Statute of Frauds requires all contracts regarding lands (except leases for 3 years), all contracts not to be performed within one year, all guarantees for the debt of another, and all contracts for sale of goods over the value of \$40 (unless partly executed and performed) to be in writing. The contract is not the writing. The writing is the evidence of what the contract is. A contract signed by one party only may be enforced against that party.

COMMON CARRIERS, TRAVELLERS, ETC.

The liability of Railway Companies, both as to freight and passengers and baggage, is very stringent, and they cannot avoid their responsibility by any conditions indorsed on tickets or shipping receipts, which would tend to render nugatory the whole contract, or would excuse the negligence of their employees or agents. All conditions must be reasonable.

If baggage or freight is left at the station of destination an unusual time, the liability of the company is only that of warehousemen, not of common carriers, so that if a fire should accidentally destroy the baggage room and goods, the company would not be liable. The Company is entitled to charge demurrage for delay in removing or unloading goods. See also page 174. An insurance policy against accidents, while travelling in a public conveyance is always construed in favor of the insured, and covers accidents which occur when alighting or changing cars. A ticket is a contract, and a time table is a representation. Railway companies are not liable for mere loss of time occasioned by delay of trains, but are liable for actual pecuniary special damage, which can be proved to have directly been incurred from such delay. A traveller who refuses to produce his ticket or pay his fare to an official authorized to receive it (and wearing on his cap the badge of such authority) may be put off the train, but only near some dwelling house or at a usual stopping place. Trains must whistle at crossings, but a railway track *per se* is a warning of danger.

The company is responsible for the act of a servant acting within the scope of his employment, even when disobeying orders. The liability of employers for damages to their employees is now governed by the provisions of the "Workman's Compensation for Injuries Act, R.S.O., cap. 160," which requires notice within twelve weeks, and action within six months. All dangerous machinery must be guarded, and all modern equipment used.

Common carriers are bound to use the highest degree of care that a reasonable man would use for himself, and to secure safety consistently with the mode of transportation.

Shipowners are bound to furnish a vessel sea-worthy and well equipped with adequate crew and competent master. Owners of stages are responsible that all equipments of conveyance, drivers, horses and harness, are fit and suitable.

Carriers are not liable, where, by the exercise of reasonable care on part of the injured, the accident might have been avoided, *i.e.*, where there was "legal" contributory negligence.

CONVEYANCES OF LANDS are made by Deeds or Grants, which instruments under seal, are executed by the vendor (grantor) (and his wife to bar dower) to the purchaser (grantee). It is most important that the lands intended to be conveyed should be clearly defined, with reference to the latest plan, if any, otherwise the deed cannot be registered. A deed to an individual in fee simple is to him, his heirs and assigns, but when to a company it is drawn to the company, their successors, and assigns. See Registration.

COURTS.—See *Actions*.

DOWER is the right of a widow to a one-third interest for life in the lands of her deceased husband, or in the rents and profits thereof. Under a recent statute on the devolution of estates a widow may elect to take an absolute interest in the one-third, in the same way as in personal estate. In Manitoba and the New Provinces, dower, as dower, is not recognized in real estate property law.

A widow is entitled to dower in lands (except in cases mentioned in statute) of which her husband was seized during the marriage. A married woman may bar her dower in any lands or hereditaments, by joining with her husband in a deed or conveyance thereof, in which a release of dower is contained.—R.S.O., cap. 164.

DECLARATIONS.—Statutory declarations are allowed as evidence in cases where extra-judicial oaths are forbidden. They should always be made before a Notary Public, or Justice of the Peace, or Commissioner; and in this, as in all cases, care should be taken that the most recently authorized legal forms should be used to ensure validity. Doubtful titles are often supported by Declarations, the chief use of which is to perpetuate testimony in writing. See Affidavit.

EMPLOYERS' LIABILITY.—See Common Carriers.

EVIDENCE.—In civil proceedings the evidence of all parties is admissible, and there is no incompetence on the ground of interest as a party or otherwise. In Quebec, however, parties cannot always give evidence on their own behalf. A wife is not a compellable witness against her husband.

In a suit by or against representatives of a deceased person, an opposite or interested party to the suit cannot obtain a judgment on his own evidence as to any matter occurring before the death of the deceased, unless such evidence is corroborated. The onus of proof is on that party who asserts the virtual affirmative. Since July 1st, 1893, radical changes have been made in the law regarding Criminal Evidence, by the Dominion Statute, a prisoner being now a competent witness. A person is presumed to be innocent until proved to be guilty, and the jury is always directed to give a prisoner the benefit of any reasonable doubt. Quakers, and those who believe it unlawful to take an oath, and those on whose conscience an oath has no effect, affirm and declare, and do not swear. Evidence may be taken out of the Province, on commission issued by the Courts. An affidavit is a written oath. Perjury is the taking of a false oath or declaration on a material question, and is punishable as a felony. A case may be proved on circumstantial evidence, but not on hearsay. Written proof in black and white is always the best evidence. Books of original entry should always be produced in Court. Arbitrators should follow the rules of evidence. See "Affidavits."

EXECUTION.—Judgments do not of themselves bind the property of debtors. Writs of execution must issue and they bind the property of the debtor, from the time of the receipt thereof by the Sheriff of the County where such property is situated. Lands cannot be sold by a Sheriff until after the lapse of twelve months. The Sheriff (or bailiff in Division Courts) is the executive officer who enforces the decree of the Court. See *Actions and Judgments*.

EXEMPTION.—The following chattels are exempt from seizure under writ of execution:

1. The bed, bedding and bedsteads in ordinary use by the debtor and his family.
2. The necessary and ordinary wearing apparel of the debtor and his family.

3. One cooking stove with pipes and furnishings, one other heating stove with pipes, etc., one set of cooking utensils, one pair of tongs and shovel, one coal scuttle, one lamp, one table, six chairs, one washstand with furnishing, six towels, one looking glass, etc., one bureau, one clothes press, one clock, one carpet, one cupboard, one broom, twelve knives and forks, twelve plates, etc., two pails, one wash-tub, etc., all spinning wheels and weaving looms in domestic use, one sewing machine and attachments in domestic use, thirty volumes of books, one axe, one saw, one gun, etc., the articles in this subdivision enumerated, not exceeding in value \$150.00.

4. All necessary fuel, meat, fish, flour and vegetables actually provided for family use of the debtor and his family, for thirty days, and not exceeding in value \$40.00.

5. One cow, six sheep, four hogs and twelve hens, in all not exceeding the value of \$75.00, and food for thirty days, and one dog.

6. Tools and implements of, or chattels ordinarily used in the debtor's occupation to the value of \$100.00. (Or, if so elected, proceeds of sale thereof up to \$100.00).

7. Bees, fifteen hives. See R. S. O., 1897, chap. 77.

The debtor, his widow or family, or in case of infants, their guardians, may select out of any larger number the several chattels exempt from seizure.

Lands taken up under the free grant and homestead act are exempt from execution for twenty years from the location of the land being made by the locatee.

While the above goods are exempt from seizure under ordinary process of law, they are not all exempt from the summary right of distress possessed by a landlord against his tenant for arrears of rent (R. S. O., cap. 170, sec. 30-31), nor are they exempt at law if the debt, for which execution issued, were contracted for the identical chattel with reference to which exemption is claimed. Exemptions in Manitoba are far more extensive. Articles not exigible under writ may be seized under chattel mortgage when specifically described.

FEMME COVERTE.—A married woman may now hold her separate property as though she were a *femme sole* (spinster). In deeds of land it is always better, however, to get the husband to join, so as to prevent his possible claim to a tenancy by the courtesy (Life Estate) after the death of wife. A married woman may obtain an order protecting her earnings from her husband's interference. (See *Contracts*, R. S. O., cap. 163.)

GARNISHEE.—To attach money or property of a debtor in the hands of a third party.

GUARANTEE.—See *Bonds*.

INFANTS.—See *Contracts ante*.

INSURANCE.—A fire insurance policy is a contract of indemnity. Nothing should be concealed from the company which is material to the risk, whether as to ownership, incumbrances, value, location, occupation, or prior or other insurance. A personal debt of the agent cannot be set off as against a premium on a policy. If insurance is assigned, the head office of the Company should ratify the assignment. Life insurance may be effected in favor of wife and children, and creditors cannot touch proceeds. It is always advisable to get an admission of age when effecting life insurance. Concealment, even without fraud, has been held to vitiate a policy. A vessel after leaving port may be insured by marine underwriters, "lost or not lost." See *Carriers*. Insurance policies are often transferred temporarily as collateral security to a loan. In England almost any contingency may be insured against.

INSOLVENCY.—The Dominion Insolvent Acts have been repealed, and a bankrupt cannot now obtain an absolute discharge without the consent of creditors. The Creditors' Relief Act, R. S. O., cap. 78, abolishes priority among creditors, and provides for the rateable distribution of assets in the Sheriff's hands among those who have obtained judgment within a limited time. The act does not interfere, however, with those creditors who hold valid special securities. See *Assignments*.

INTEREST.—Where no rate is stipulated for by agreement, only five per cent. per annum can be recovered, calculated from the time the debt was due and demanded. There are no usury laws in force in Ontario, but loan companies and money lenders are not allowed to charge a higher rate on default of payment than they could have legally charged had payment been regularly made. If a mortgage is in default the mortgagee is, at common law, entitled to six months' interest as bonus, before the mortgagor can redeem, but if the mortgage has run for five years, the mortgagee is obliged to take his money in full on being paid three months' interest in advance by way of bonus. See, however, R.S.O., cap. 121, sec. 17. Interest does not run on an open overdue account unless demanded. The Courts regard interest as damages for detention of money. Instruments drawing interest at a higher rate than five per cent. should be expressed to bear interest at that rate as well after as before maturity or default until paid, if the higher rate is to be collected after the debt falls due.

JOINT STOCK COMPANIES, LIMITED.—See after *Partnership*.

LANDLORD AND TENANT.—See *Mortgages, Taxes and Exemptions*.

A yearly tenant requires a full six months' (183 days) notice to quit, expiring at the end of a year. A monthly tenant requires a full months' notice to quit. Tenants desiring to leave should give the same notice. Goods distrained for rent in arrear can be sold after five days from seizure and demand. Leases for seven years should be registered. Where not provided in lease, landlord has to pay taxes. A tenant may remove shop fixtures put in by him. Leases for three years and shorter periods are valid even though not in writing. Rent ceases if premises are burned. If Sheriff seizes goods of tenant he must, when notified, provide for landlord's rent out of proceeds.

LIMITATION.—Actions on simple contracts, notes, instruments not under seal and money demands must be brought within six years from the time the cause of action accrues. When plaintiff is under disability by reason of infancy or lunacy, the statute runs from the removal of the disability. Actions to recover lands must be brought within ten years after the right of action accrued,—that is to say, if A enters on B's cultivated lands, and stays there in open, peaceable, continuous possession for upwards of ten years, not as a tenant or caretaker, he acquires a title by possession to the land so trespassed on, and can successfully resist an action of ejectment. A mortgage is outlawed in ten years after maturity or from the last payment of interest or acknowledgment so far as the land security is concerned. Covenants are good for 20 years. See, however, R.S.O., cap. 72. Actions against railway companies, municipalities and officials are specially limited, and notice should be given at once after right of action accrues.

MECHANICS AND OTHER LIENS.—Every mechanic, machinist, builder, laborer, contractor, sub-contractor or other person doing work upon or furnishing materials to be used in any building, or machinery in connection with any building, has a lien for the price of the work, etc., on such building, mines or erection, and the land occupied thereby and enjoyed therewith. The lien will be lost if the claim be not filed in the Registry Office within 30 days from completion of work or supplying of materials, and legal proceedings to enforce the lien must be taken within 90 days. R.S.O. cap. 153.

A solicitor has a lien on his client's papers for costs incurred. A workman has a lien on a chattel for cost of repair and improvements done by him. An inn-keeper has a lien on the goods of his guest for unpaid board and lodging. A pawnee has a lien on goods for money advanced by him on the security of the goods pledged. A lien has a right to possession; possession being given up, the lien is gone. There are special statutory provisions regarding lien notes and conditional sales. R.S.O., cap. 149. A maritime lien can be enforced against a ship for wages and supplies and salvage in the Admiralty Court.

MORTGAGE OF LANDS.—A mortgage must be made under seal, and to be valid against subsequent purchasers or mortgagees for value without notice, should be registered in the Registry Office for the county in which the lands are situate. A short statutory form for mortgages is provided by the Revised Statutes of Ontario, cap. 126. The usual remedies of the mortgagee in default of payment are by sale under power of sale in the mortgage, or obtaining foreclosure by an action at law, in conjunction with which and in the same action an order for possession of the land and a judgment and execution on the *personal* covenant against the mortgagor generally may be obtained. The mortgagee has also the right to distrain on the goods of the *mortgagor* (not of any third person) for arrears of interest. When mortgages are paid, a formal discharge, which, when registered, reconveys the land to the mortgagor, should be obtained. A receipt is not sufficient. The borrower always pays all legal fees for drawing both mortgage and discharge. R. S. O., cap. 121.—See *Interest*.

PARTNERSHIPS.—A partnership may be legally defined as a voluntary unincorporated association of individuals as principals for the carrying out of a joint operation or undertaking for the purpose of joint profit. A part owner is not necessarily a partner; nor is a servant a partner of his master, even where for his trouble and labor he gets part of the profits, or wages in proportion to the profits, he not being liable for losses. A dormant or sleeping partner is, when discovered, equally liable with those held out to the world as partners. The liability of partners to third parties may be illustrated by the case of two horse dealers, who agreed in their articles of partnership, each with the other, that they would *not* warrant any horse that they might sell; one did warrant a horse sound, and the horse being unsound, *both* parties were held liable to the victim, despite their agreement, because such warranty was within the scope of and incidental to their business. Each partner is deemed the agent of the others. The most stringent good faith, *uberrima fides*, is required of partners. Each partner has a right to an account at any time. A partnership may be dissolved by the death of one of the partners, by mutual consent, or by effluxion of time. Dissolution will be decreed by the Court on the insanity of one partner, or where there has been wilful fraud, or where the particular object of the partnership becomes impracticable. A partnership becomes dissolved by act of law on bankruptcy. Each partner's individual property is liable to the fullest extent for partnership debts, if the assets of the firm are insufficient to pay them. The importance of articles of partnership properly drawn up, providing for duration, division and dissolution, cannot be too strongly urged. Declarations of co-partnership should be registered within six months in the County Registry Office.—See R. S. O., cap. 152, and see *Joint Stock Companies* below.

SPECIAL OR LIMITED PARTNERSHIPS may be formed under Revised Statutes Ontario, Chapter 151, where there are one or more general partners whose names are public, and who are liable to the full extent of their means, and whose death involves dissolution (unlike Joint Stock Companies); but also one or more special contributors to capital who must not interfere in the active management, and who must be registered as *special* and whose liability in such case is limited to the amounts agreed by them to be contributed to the capital.

JOINT STOCK COMPANIES (Limited).—A Joint Stock Company (Limited) is a body corporate, created by letters patent, having a common seal, with a capital stock usually divided into shares, which are subscribed for by those desiring to become stockholders, and who are liable to creditors of the company only to the extent of the respective amounts remaining unpaid on the stock subscribed by and allotted to them. Thus, if A, B, C, D and E agree to enter into an ordinary partnership with a capital of \$10,000, and the business fails, each is liable personally to the full extent of the deficiency of assets; but if these same men form a limited company under the Ontario Companies Act 1907, or under the Dominion Statute, for the same purpose, and with the same capital, and the business fail, and all of them but A have paid up their subscribed shares of the

Capital in full, and A has paid all but \$100, then A alone is *personally* liable to creditors of the company, and that only to the extent of \$100. Directors are, however, personally responsible for six months' salaries of employees. A company has an existence apart from the members comprising it, and is a sort of anonymous statutory partnership. Companies usually speak and act through their directors and authorized officers with their seal; but ordinary contracts, bills, notes, cheques, etc., made by an agent or officer of the company, on behalf of the company, in general accordance with his powers under the by-laws or charter of the company, are binding without the seal. Contracts with Municipal Corporations should always be under seal. For general and comprehensive information on the subject, see J. W. Johnson's "Joint Stock Company Book-keeping," and pages 218 to 230 in this book. See also *Partnership* above, and at pages 218 to 220.

JUDGMENTS.—(See Executions.) The Judgment is the result of the action. An award, when made a rule of Court, may have all the force of a judgment. An execution or executions directed to the Sheriff of any county in which property of the debtor can be found, may be issued at any time within six years after judgment has been signed, and, after six years, at any time within twenty years, if an order is made for the issue of execution. Judgments signed in a foreign country have no effect of themselves within this jurisdiction, but may be sued on here as the basis of an action, just as Ontario judgments may be sued on in other Provinces or Countries. Exemplification of the foreign judgment must be obtained. If in any action in which a Writ of Summons is served, the defendant does not "appear" within the time specified in the Writ, judgment can be signed by default, on proof of service of writ, in all claims for money demands or liquidated damages. Executions against goods and lands (in Courts other than Division Courts), run for three years, and must be renewed before the expiry of the three years, in order to retain their priority.

PROBATE.—See *Wills*.

POWER OF ATTORNEY.—A formal appointment on authority of agency. See form further on.

R. S. O. signify Revised Statutes of Ontario. Latest Revision in 1897. Annual amendments are made by the Legislature.

R. S. C. signifies Revised Statutes of Canada, latest Revision 1906. See "Statutes."

REGISTRATION.—All instruments, deeds, mortgages, etc., affecting lands should be registered promptly in the Registry Office of the County where the lands lie; otherwise they will not retain priority as against subsequent purchasers or mortgagees for value in good faith without notice. Unregistered instruments are good and effectual as *between the actual parties* to those instruments, but not as against innocent third parties who may obtain priority by prior registration, even though the grantor or mortgagor may be guilty of fraud. Leases, unless for seven years and upwards, need not be registered. Wills and grants from the Crown are registered in the manner set out in the Registry Act, R. S. O., cap. 136. All other instruments (including Powers of Attorney), are registered by the production of the original (generally in duplicate), with an affidavit of execution made by a subscribing witness (attached to each duplicate), care being taken that the witness gives his *full* name, residence, and *occupation*, and takes the oath before a competent officer, who is usually, in Ontario, a Commissioner or Notary Public or the Registrar; in other Provinces, a Notary Public (with seal), or a Commissioner for Ontario; and in Foreign Countries a Mayor, Notary Public or British Consul, in all these latter cases the official seal being attached to the jurat of the affidavit.

The following is a

FORM OF AN AFFIDAVIT OF EXECUTION FOR USE IN REGISTRY OFFICE.

COUNTY OF HASTINGS,

To wit :

I, WILLIAM NISBET PONTON, *of the City of Belleville, in the County of Hastings, Barrister-at-law, make oath and say:—*

1. THAT *I was personally present, and did see the within Instrument and Duplicate duly signed, sealed and executed by JOHN WESLEY JOHNSON AND WILLIAM BYRON ROBINSON, two of the parties thereto.*

2. THAT *the said Instrument and Duplicate were executed at the City of Belleville.*

3. THAT *I personally know the said parties.*

4. THAT *I am a subscribing Witness to the said Instrument and Duplicate.*

Jurat. { SWORN before me at the City
of Belleville, in the County of
Hastings, this 9th day of May,
in the Year of Our Lord, 1908. }

(Signed) W. N. PONTON.

(Signed) WM. HAMILTON PONTON,

Registrar Co. Hastings,

(or) *A Commissioner for taking affidavits, H. C. J.*

(or) *Notary Public, L. S. (or) J. P.*

REPLEVIN.—When goods have been wrongfully distrained or taken, they may be replevied (*i. e.* restored) by writ upon giving to the sheriff security in treble the value of the property to be replevied. This is the remedy sought where the object is speedily to recover the specific goods and not merely damages for their loss.

SECURITY FOR COSTS.—Where the plaintiff is resident out of the jurisdiction, and has not sufficient property in the jurisdiction, the defendant can require him to give security for the costs of the action, in the sum of \$400.00. So also where the plaintiff is suing for a penalty, and where a "man of straw" or nominal plaintiff, acts for another without having any real interest in the cause of action. As to actions for libel against newspapers, see R.S.O., cap. 68, sec. 10.

STATUTES.—A revision of the Ontario Statutes was published in 1897. Statutes are revised and consolidated every ten years. The Dominion Statutes were revised in 1906. Statutes override the common law where there is any conflict. See *Contracts* as to Statute of Frauds.

STOPPAGE *in transitu*.—When it is ascertained by a consignor that a consignee, to whom he has sold and shipped goods, has become insolvent, he may at any time during transport and before delivery to the consignee or his assignee or agent, stop the delivery of such goods and recover them, and so avoid being obliged to rank on the insolvent estate with the general creditors at so much on the dollar.

SUBROGATION.—The right to stand in the place of and with all the remedies of another, to or for whom money has been legally paid—generally in respect of insurance and other collateral securities.

TAXES are a charge on Real Estate, and the collector has the power to levy the amount by distraining on goods on the premises, or on the goods of the person assessed within the municipality. Great care should be taken in drawing a lease to provide clearly whether the landlord or tenant is to pay taxes, and what taxes. In purchasing land, arrears of taxes should be paid by vendor and the Treasurer's certificate and collector's receipt obtained before accepting title. Beware also of frontage or ditch taxes. Where property is sold in the middle of a year the taxes for the current year are generally apportioned between vendor and purchaser. Lands may be sold for taxes, which are in arrears for the third year, provided there is no sufficient distress on the premises. The

right of the tax collector to distrain has been limited by recent statutes. See Assessment Act.

TENDER.—The definite and actual offer of a specific sum of money in payment of a debt made directly to the creditor in proper form of legal tender. This affects the liability for interest and for costs if an action results from a refusal to accept the sum tendered.

TITLE.—In investigating titles, searches should be made at the Registry Office, the Sheriff's Office, the Treasurer's Office, and the Collector's Office, and, in the opinion of the writer, *no one but a trained solicitor is competent to search a Title*. The terms of a tenant's lease (if any) should also be examined and all material Title deeds (old as well as new), or certified copies thereof, with an abstract should be furnished by the vendor.

TRAVELLERS.—See *Common Carriers*.

WILLS.—Wills may be made by any person, married or single, male or female, of the full age of twenty-one years. No will is valid unless it is in writing, signed by the testator at the foot or end thereof or by some other person for him in his presence, and by his direction, and such signature must be made or acknowledged by the testator in the presence of TWO or more witnesses present at the same time, and such witnesses shall subscribe such will in the actual presence of the testator and of each other. No *form* of attestation is necessary. Creditors and executors are competent witnesses, but if any person attests the execution of any will, to whom or to whose wife or husband any bequest or devise is given, such bequest or devise shall be void, though such person shall be a competent person to *prove* the will. A will may be registered by production of the original will, and a true copy thereof, with an affidavit of a subscribing witness to the will as to its due execution, as to the death of the testator or testatrix, and as to the annexed copy being a true copy of the original; or by the production of the probate of the will with a verified copy. A will speaks only from the death of the testator. If no executor is named in the will the court will appoint an administrator with the will annexed. If a person die without a will he is called an Intestate, and an administrator will be appointed by the Surrogate Court to wind up the estate. An administrator is required to give Bond with sureties. A will is revoked by marriage, by cancellation and destruction, and by a subsequent will. A codicil or supplementary will requires to be executed with the same formalities, and all alterations and interlineations should be executed and witnessed in the same way as in the will itself. Executors must pass their accounts before the Probate Judge within eighteen months. Any one, of either sex, of any age, who can write, who is not a beneficiary under the will, is a competent witness. An executor can in his will appoint another executor. See form of *Will* further on, and see R.S.O., cap. 128. A soldier or sailor may make a Noncupative Will (not necessarily in writing) when on actual service.

THIS SUMMARY is not intended to be exhaustive, nor to take the place of large treatises or legal counsel, but rather to suggest points of practical importance to the student, and to form a basis for examination on subjects which are more elaborately treated in the lectures of the College. In all cases of doubt consult a lawyer, whose business it should be to prevent rather than to create lawsuits, and tell him as much about your opponent's contention and position as you do about your own side of the question. "Nothing extenuate nor set down aught in malice," and you will get better advice and sounder sleep, and have a more satisfactory balance sheet. A litigious merchant commits mercantile suicide. Master the main principles of law, which are those of natural justice and common sense. See that you have not merely a good right of action, but also good evidence to support it, before setting the wheels of justice in motion.

You are invited to make application at any time to the lecturers for information on any point in law, either in the College, or at their offices. The above abstract has chiefly reference to Ontario Law, but the principles of law are the same and the administration of law is becoming more and more assimilated in all civilized (and especially Anglo-Saxon) communities.

FORMS OF BUSINESS PAPERS AND EXPLANATIONS THEREON.

The student will find it to his advantage to learn thoroughly the general laws which govern Bills of Exchange, Notes, Drafts, etc., and to observe closely the wording and form of all Business and Commercial Papers, as they represent, to a certain degree, the language of trade. An Act passed by the Canadian Parliament, known as the "Bills of Exchange Act, 1890 (and amendment 1902)," constitutes the Statute law relating to Bills of Exchange, Cheques and Promissory Notes in Canada. We have already dealt with some of the principal forms of Business Papers at pages 62 to 76, to the extent that was necessary to give the student an intelligent understanding of some of the subjects he was dealing with in connection with his bookkeeping; and it will now be well to refer again to those pages and study them very carefully. We here resume the subject.

DAYS OF GRACE.

Refer again to pages 57 and 58.

FOREIGN BILLS OF EXCHANGE.

A Bill of Exchange or Draft, (see pages 69 to 72) is an unconditional order in writing, addressed by one person to another, signed by the person giving it, requiring the person to whom it is addressed to pay on demand, or at a fixed or determinable future time, a sum certain in money to, or to the order of, a specified person, or to bearer. Drafts are usually drawn to order, and are thereby negotiable by indorsement.

An Inland Bill is a bill which is, or on the face of it purports to be (*a*), both drawn and payable within Canada, or (*b*) drawn within Canada upon some person resident therein (see pages 69 to 72). Any other bill is a Foreign Bill.

The person who draws the Bill is called the **DRAWER**, the person to whom it is addressed, the **DRAWEE**, and the person to whom it is ordered to be paid, the **PAYEE**. When the drawee undertakes to pay the amount he is then called the **ACCEPTOR**.

If the bill is made payable to the payee, or **BEARER**, it may be transferred to a fourth party by merely delivering it into his hands, and the fourth party will stand in the same situation as the original payee did. If the bill is payable to the payee, or **ORDER**, he cannot transfer it except by a written order usually on the back of the bill, called an indorsement, after which the payee is called the **INDORSER**, and the person to whom it is transferred the **INDORSEE**. **HOLDER** is a general word, applied to any one of the parties in possession of the bill, and entitled at law to receive its contents from another.

Foreign Bills are usually drawn in sets; that is, copies of the bills are made separately, each part containing a condition that it shall continue payable only so long as the others remain unpaid. Whenever any one of a set is paid, the others are void, for the whole set constitutes but one bill. The object in drawing them in sets is, that they may be sent at different dates, or by separate conveyances, that time may be saved should one or more be lost.

LETTERS OF CREDIT.

A circular Letter of Credit is a Bill of Exchange carried by travellers on which they can obtain money in different countries. A Letter of Credit is the written authority from a banker to another banker authorizing advances to be made to the person named in, and identified by his signature on, the Letter of Credit.

* FORM OF SET OF BILLS OF EXCHANGE.

FIRST BILL OF EXCHANGE.

Belleville, Ontario, Canada, May 12, 1908.

Exchange for £85.

Three days after sight of this first of exchange (second and third of the same date and tenor unpaid), pay to S. G. Beatty, or order, eighty-five pounds sterling, value received, and charge the same to account of

W. B. ROBINSON.

To The Bank of Scotland,
London, England.

SECOND BILL OF EXCHANGE.

Belleville, Ontario, Canada, May 12, 1908.

Exchange for £85.

Three days after sight of this second of exchange (first and third of the same date and tenor unpaid), pay to S. G. Beatty, or order, eighty-five pounds sterling, value received, and charge the same to account of

W. B. ROBINSON.

To The Bank of Scotland,
London, England.

THIRD BILL OF EXCHANGE.

Belleville, Ontario, Canada, May 12, 1908.

Exchange for £85.

Three days after sight of this third of exchange (first and second of the same date and tenor unpaid), pay to S. G. Beatty, or order, eighty-five pounds sterling, value received, and charge the same to account of

W. B. ROBINSON.

To The Bank of Scotland,
London, England.

¹ In this example W. B. Robinson has money on deposit with the Bank of Scotland in London, and he directs the Bank to pay £85 to S. G. Beatty's order.

The par value of Sterling Exchange is $\$4.86\frac{2}{3}$, or $9\frac{1}{2}$ per cent. over the old par, which was $\$4.44\frac{1}{3}$. The rate of exchange is the price at which it is being bought and sold daily. (See "Buying a Bill of Exchange on London, and making entries for it," at page 283.)

PAR OF STERLING EXCHANGE EXPLAINED.

Previous to gold coinage by the United States, the Spanish or Mexican dollar was the standard unit of value upon the American continent, as the English pound sterling was the unit of value in Great Britain. The equivalent of the pound sterling in Mexican dollars was $\$4.4444$, which was the then par of exchange, and is now referred to as the "old par" of exchange, because it is not now used. When the United States issued its coinage and made the gold dollar the standard unit of value, it made the intrinsic value of the coin just $9\frac{1}{2}$ per cent. less than the old Mexican dollar. It became necessary, therefore, to arrive at its just value, to add $9\frac{1}{2}$ per cent. to it, to make it the equivalent of the old Mexican dollar, and we thus have the anomaly of $9\frac{1}{2}$ per cent. advance being the par of sterling exchange. Thus $\$4.4444$ multiplied by $.09\frac{1}{2}$ gives 42.22 cents, which added to $\$4.4444$, makes $\$4.8666$, the present equivalent in Canadian or United States currency.

RATE OF STERLING EXCHANGE.

The rate of sterling exchange is the price at which it is being bought and sold from day to day. The fall of the year is the period at which sterling exchange is most plentiful, and therefore lowest and most favorable to the merchant or banker who has to remit, as it is at that period that the largest shipments are made to Europe from this continent. Against the shipments, bills of exchange are drawn (to which are attached the bills of lading) which are usually sold to the banks, who transmit them for payment to the drawees; and the banks in turn sell their own bills drawn on their agents or correspondents, to those who have to make remittances. The exports and imports of a country, it will be seen, create exchange.

Bills of Exchange drawn anywhere on this continent against exports to any part of Europe are usually negotiated through London bankers. London being the greatest commercial centre in the world, its banks are able to provide better facilities for effecting exchanges than those of any city on the continent of Europe.

Exchange is quoted either in dollars and cents (as $4.81\frac{1}{4}$) or at a certain advance on the old par (as $10\frac{1}{8}$). The former is a low rate, being below par ($4.86\frac{2}{3}$); the latter is above par ($9\frac{1}{2}$). Occasionally Bankers require to remit gold to cover over drafts. The following is an estimate of the cost:

THE COST OF SHIPPING GOLD TO ENGLAND.

Bankers sometimes draw bills to a larger amount than those they remit, and it becomes necessary, occasionally, to make a shipment of gold to meet over drafts, or effect settlements with bankers on the other side. The cost, as estimated in New York City, for shipping a million dollars in gold to England is as follows:

Loss of interest 8 days.....	500
Insurance	900
Freight	1075
Cooperage, cartage, etc.....	50
	<hr/>
	\$2525

This amounts to slightly more than a fourth of 1% on a million. There would also be a slight loss from abrasion.

GENERAL REMARKS.

Any date may be inserted by the drawer of a bill or negotiable instrument whether past, present or future, and the instrument is not invalidated by his incapacity at the time of the nominal date.

If a bill or note is dated forward of a day not arrived, and any of the parties die before that day, such death will be no bar to the remedy of a BONA FIDE holder.

It is no objection to a bill or note that it is nominally dated on Sunday, for it does not follow that it was made on that day. A bill drawn on Sunday, founded upon a contract made on that day in the ordinary calling of a person making it, is void in the hands of a person who, with knowledge of the circumstance, took it from the person to whom it was given; but it may hold good in the hands of an innocent indorsee for value before maturity.

Every bill or note must be signed by the person making it, or some one authorized by him for that purpose.

It is not essential to the validity of a bill that it be negotiable, or that it contain the words "value received," although in most cases it is highly important that these words be inserted.

A bill or note may be issued with a blank for the payee's name, and any BONA FIDE holder may insert his own name as payee. But until the blank is filled up it is not a bill or note.

PROMISSORY NOTES.

A PROMISSORY NOTE is a written promise to pay unconditionally and at all events a specified sum of money on demand, or at a fixed or determinable future time. (See Promissory Notes, pages 72 to 75.) The person who makes the note is called the MAKER, and the person to whom it is payable,

the PAYEE. A note, while in the hands of the payee, has this resemblance to a bill, that it is for the payment of money absolutely and at all events, and when indorsed and transferred it is identical with a Bill of Exchange. The identity is complete as soon as the indorsement is made; for then it is an order of the indorser upon the maker to pay the indorsee, which is the very definition of a Bill of Exchange; the indorser on a note stands in the same position as the drawer of a bill, the maker of a note stands in the same position as the acceptor of a bill. The parties to a note are: the maker, the one who makes it; the payee, the one in whose favor it is made; the indorser, the one who indorses it; the indorsee, the one to whom it is indorsed by name; a third party is any one who holds it in due course; that is, who obtained it before maturity, in good faith and for value.

REQUISITES OF A BILL OR NOTE.

No particular words are necessary to make a bill or note; but it must be a WRITTEN order or promise, which, from the time of making it, cannot be complied with or performed without the payment of MONEY. Though a bill or note, or an indorsement thereon, must be in writing, such writing need not be in ink. A writing in pencil is sufficient; ink, however, is obviously more desirable.

The exact sum for which a bill or note is given must be inserted, and it must be for the payment of MONEY, and money only, and the sum to be paid must be payable absolutely, and must not depend upon any circumstances which may or may not happen.

An instrument purporting to be a bill or note drawn for a given sum, "and all other sums that may be due to the payee," is not, even between the original parties, a bill or note. It is only good as written evidence of a debt.

If there is a variance between the amount in figures and that mentioned in the body of the bill in words at length, the latter will prevail.

The place where a bill or note is drawn should appear upon it; and it should also be dated.

When a note is paid it should be produced and delivered up to the party paying, with evidence of the payment written upon it.

* PARTIES TO A BILL OR NOTE.

A Bill or note cannot properly be made or indorsed by, nor can a bill be properly addressed to, any person incapable of making himself responsible for the payment, nor should it generally be made payable or indorsed to any person incapable of suing.

* See also pages 71 and 73.

Therefore, a bill or note cannot properly be made or indorsed by, nor can a bill be properly addressed to, an infant (a person under age), except, perhaps, where it is drawn, indorsed or accepted for necessities.

As an infant is capable of suing, he may be payee or indorsee. But it may be questionable, in some cases, whether payment should not be made to his guardian.

The contracts of a lunatic, an idiot, or other person *non compos mentis* from age or personal infirmity, are utterly void or voidable.

A note obtained by fraud, or duress, or from a person in state of TOTAL drunkenness, cannot be collected by a party who knew the circumstances when he took it.

If persons who fill official situations, as church wardens, overseers, surveyors, commissioners, managers of Joint Stock Companies, and the like, give bills or notes on which they describe themselves in their official capacity, they are, nevertheless, sometimes personally liable, unless exempted from liability by statute, or by the Charter, By-laws and course of dealing of the Company.

JOINT NOTES.

A note by two or more makers may be either joint, or joint and several, according to its form. See page 73. The makers of a joint note should be sued jointly; for if sued separately the action may be defeated or delayed, owing to the non-joinder of the other maker or makers. If one of the parties to a joint note be insolvent, or out of the country when the note falls due, it may be collected from the other. The makers of a joint and several note may be sued upon it, either jointly or separately; and if sued separately a recovery of judgment (without satisfaction) against one will not be a bar to recovery against another maker. It makes no difference in what order the names appear on a joint or joint and several note; all the makers are equally liable to the holder for the full amount of the note. As between themselves, if one of the makers has had to pay, he can compel the other makers to contribute their proportion.

A note signed by more than one person, and beginning, "We promise," etc., is a joint note only. A joint and several note usually expresses that the makers jointly and severally promise. But a note signed by more than one person, and beginning, "I promise," etc., is several as well as joint. So a note beginning in the singular, "I promise," etc., and signed by one partner for his co-partners, is the joint note of all, and has been held to be also the several note of the signing party.

The difference between the position of joint or joint and several makers on a note and that of indorsers will be apparent when you have read the next and following page.

OF THE ALTERATION OF BILLS OR NOTES.

When a note or bill is materially altered without the assent of all the parties liable, it is voided, except as against a party who has himself made, authorized or assented to the alteration, and against subsequent indorsers.

When paying a note or acceptance you should, if it has not been done already, obtain the indorsation of the payee upon it, as proof that you both gave the note and paid it.

OF THE OBLIGATIONS OF PARTIES.

The drawer's undertaking in a bill of exchange is, that the drawee, upon due presentment to him, shall accept such bill, and pay the same when due; and that if the drawee do not accept it, or pay it when due, he will pay the amount of the bill, together with certain damages allowed by law; provided he is duly notified of such non-acceptance or non-payment.

It is the payee's duty, if the bill remain in his possession, to present it to the drawee for acceptance and for payment at the proper time and place; and in case the drawee refuse to accept, or pay, to give notice without delay to the drawer, and indorser, if any, of such refusal.

The acceptor, by accepting a bill, signifies his willingness to comply with and be bound by the order of the drawer; he undertakes and is bound to pay the bill, according to the tenor of the acceptance, when it becomes due, and upon due presentment thereof. In short, all those who have signed, accepted, or indorsed a bill of exchange are jointly and severally liable upon it to the holder. The acceptor is considered, in all cases, as the party primarily liable on the bill. He is to be treated as the principal debtor to the holder, and the other parties as sureties liable on his default.

The acceptor of a bill stands, for most purposes, in the same situation as the maker of a note, and the drawer of a bill in the situation of the indorser of a note.

The acceptor's liability can only be discharged by payment, or other satisfaction, by release, or by waiver.

INDORSEMENT.

A person who writes his name upon a bill or note otherwise than as a maker or acceptor, and delivers it with his name thereon to another person, is called an indorser, and his act is called an indorsement.* The proceedings to be taken to hold an indorser liable on a note, or the drawer and indorser liable on a bill, if not paid at maturity, are explained under the head of Protests.

* "Backing a Note" is a colloquial term often used to express the act of indorsing.

Indorsements are of two sorts, BLANK and FULL or SPECIAL indorsements, and are always written upon the back.

Special indorsements are modified in different ways, as shown in the following:

FORMS OF INDORSEMENT.

1.—Indorsement in blank.	<i>John A. Fraser.</i>	Or the following may be used: <i>Pay to John Smith or order for my use.</i>
2.—Indorsement in full.	<i>Pay to John A. Fraser or order,</i> <i>S. G. Baker.</i>	<i>Pay to John Smith for my account.</i> <i>Pay to W. J. Osborne for account of A.</i> <i>C. Baker.</i>
3.—Qualified Indorsement.	<i>Without recourse to me,</i> <i>S. G. Baker.</i>	5.—GUARANTEE ON A NOTE. <i>For value received I hereby guarantee the</i> <i>payment of the within note.*</i> <i>S. G. Baker.</i>
4.—Restrictive Indorsement.	<i>Pay to John Smith only,</i> <i>S. G. Baker.</i>	6.—Indorsing partial payments on a note. <i>Date</i> <i>Received on the within note the sum of Twenty-</i> <i>five dollars.†</i>

When sending cheques payable to order to the bank for deposit by a clerk, write "*For Deposit only*" above the signature when indorsing. This will prevent a possible attempt to draw the money.

No particular form of words is essential to any indorsement. A BLANK INDORSEMENT is made by the mere signature of the indorser on the back of the bill, as above; its effect is to make the instrument thereafter payable to bearer, and it places the indorser in the position of surety for the maker. The first indorser on a note properly drawn must be the payee.

‡ When several persons separately indorse a bill or note, in blank, and it is dishonored by the acceptor or maker, the holder has a right of action against all the indorsers, if they have been duly notified of dishonor, and he may sue and recover the amounts from any one of them.

The maker (or makers) of a note is the principal debtor, and all the indorsers are sureties for him (or them), liable on his (or their) default. But though all the indorsers are, IN RESPECT OF THE MAKER, sureties, they are not AS BETWEEN THEMSELVES, merely co-sureties, but each prior party is a principal in respect of each subsequent party. For example, suppose a note to be indorsed by the payee and two subsequent indorsers; as between the holder and maker, the maker is the principal debtor, and the indorsers are his sureties. But as between the indorsers, the first indorser is the principal debtor, and the subsequent indorsers are his sureties. A discharge, therefore, to the prior parties is a discharge to the subsequent parties, but a discharge to the subsequent parties is not a discharge to the prior parties.

* Such a guarantor would not require to be notified of dishonor, as an ordinary indorser must be. No consideration is required to be expressed.

† This need not be signed, but if it is signed, the signer does not become an indorser.

‡ The "first indorser" means the first name on the back; the "second indorser" means the second name on the back, etc. The indorsers sign their names underneath each other.

AN INDORSEMENT IN FULL makes the instrument payable to the indorsee or his order; and he cannot transfer it otherwise than by indorsement.

A QUALIFIED INDORSEMENT is given to make a bill negotiable, without incurring personal responsibility on the part of the indorser.

A RESTRICTIVE INDORSEMENT confines the payment to the indorsee.

A bill or note cannot be indorsed for part of the sum remaining due upon it. If the bill has been partly paid, it may be specially indorsed for the amount remaining due upon it.

An indorsee has a right to convert a blank indorsement into a special one by writing over the signature the necessary words.

OF THE TRANSFER OF BILLS AND NOTES.

Bills and notes are divided into two classes—Negotiable and Non-Negotiable.

Negotiable paper is that, the ownership of which may be freely transferred from one to another, giving the holder the right of action, without being subject to any offsets or legal defences existing between the original parties, if transferred before maturity for a valuable consideration, and received *bona fide* without any defect therein.

NEGOTIABLE PAPER is made payable to the order of the payee, to the payee or order, to the payee or bearer, or to the bearer, or some other term of similar import, showing that the maker intends to give the payee the right of transfer.

*NON-NEGOTIABLE PAPER is that which is made payable to the person therein named only, without authority to transfer it to a third party. It may be transferred from one to another by assignment, that is, the writing of such words as the following: "I hereby assign all my right, title and interest in the within note to ———, signature;" but it remains subject to all offsets and legal defences existing between the original parties.

The title to Negotiable paper passes from one to another by delivery, if made payable to the payee or bearer, or to the bearer; and by indorsement and delivery, if made payable to order of payee, or to payee or order.

A transfer by mere delivery without indorsement, of a bill or note made payable to the bearer, does not render the transferer liable. A transfer by delivery, however, warrants that the bill or note is not forged or fictitious.

*This example illustrates the difference between an instrument that is *assignable*, as compared with one, payable to bearer or to order, that is *negotiable*.

PRESENTMENT OF A BILL FOR ACCEPTANCE.

Presentment for acceptance is necessary, if the bill be drawn payable at sight or at a certain period after sight or after date. Till such presentment, there is no right of action against any party; and, generally, unless it be made within a reasonable time, the holder loses his remedy against antecedent parties.

Presentment should be made during the usual hours of business.

ACCEPTANCE.

Accepting a Draft is an engagement by the drawee to pay the bill, when due, in money. It must be in writing, though no precise form is necessary; any written words clearly denoting an intention to accept the bill are sufficient. See page 71.

An instrument drawn by A upon B, requiring him to pay to the order of C a certain sum at a certain time, is a **BILL OF EXCHANGE OR DRAFT**, but after it has been accepted by B it is usually called an **ACCEPTANCE**.

A bill is said to be honored when it is duly accepted or paid; and when acceptance or payment is refused, it is said to be dishonored.

The holder is entitled to require from the drawee an absolute engagement to pay according to the tenor of the bill, unincumbered with any condition or qualification. If the drawee refuse to give the holder a general and unqualified acceptance, he may treat the bill as dishonored. The drawee may accept a bill on the day of its due presentment to him for acceptance, or at any time *within two days* thereafter. When a bill is so duly presented for acceptance and is not accepted within the time above mentioned, the person presenting it must treat it as dishonored by non-acceptance. If he does not, the holder shall lose his right of recourse against the drawer and indorsers.

In the case of a bill payable at sight or after sight, the acceptor may date his acceptance thereon as of any of the days above mentioned, but not later than the day of his actual acceptance of the bill; and if the acceptance is not so dated, the holder may refuse to take the acceptance and may treat the bill as dishonored by non-acceptance.

PRESENTMENT FOR PAYMENT.

The contract of the acceptor of a bill, or the maker of a note, being to pay the amount upon due presentment at maturity, in order to hold the indorsers, it is the duty of the holder to demand payment of the acceptor or maker on the very day on which, by law, the bill becomes due; and unless the demand be so made, the holder loses his remedy against the drawer and indorsers, although the acceptor or maker would still be liable.

If a bill or note be made payable at a particular place, the holder is bound to make a demand of payment at that place. In determining when a bill or note becomes due, 3 days of grace, as they are called, must be allowed. For example, a note drawn or a bill accepted payable two months from February 5, would not be legally due till April 8.

When a bill is drawn "on demand," or if no time of payment be specified upon its face, it must be paid on presentation, no grace being allowed.

Bills or notes made payable at a bank are generally left with that bank for collection.

If a bill or note is payable generally, without any specification of place, the holder may present it for payment to the acceptor or maker wherever he may be found.

PROCEEDINGS ON NON-PAYMENT.

No protest is required to be made upon the dishonor of a bill or note, if it is still held by the original payee in case of a note, or the original payee of a bill if he be also the drawer, although it is a common practice to protest them for non-payment. But in every case of the dishonor of a bill or note, it is the duty of the holder to give due notice thereof to all the sureties to whom he means to look for payment.

PROTESTS.

The holder of a Promissory Note, which has not been paid at maturity, and on which there is an indorser's name, should have it immediately protested by a Notary Public (if the services of a Notary cannot be obtained at the place where the bill is dishonored, any Justice of the Peace resident in the place may present and protest such note and give all necessary notices), who will notify such indorser by depositing to his address *in the Post Office of the place where the note or bill was due and payable*, a notice of the protest. Should the holder neglect to notify the indorser not later than the next business day (or, if more than one indorser, all the indorsers), he will lose recourse against him or them.

Drafts and bills are also protested for non-acceptance or non-payment, unless instructions to the contrary have been given (see page 256, first paragraph). The drawer and the indorser on a bill must be notified of dishonor if the holder intends to hold them liable.

WAIVING PROTEST.

By waiving protest an indorser renders it unnecessary for the holder to have an instrument protested. This is usually done, if before maturity, by the indorser writing the words on the back, "Presentation and Protest waived."

JOHN JONES.

If at maturity, "I hereby accept notice of non-payment and waive protest."

JOHN JONES.

Protest may be waived by letter or telegram, should the indorser be absent from the place of payment at the date of maturity.

It is not necessary to protest a dishonored note upon which there is no indorser; the maker can be held for six years after maturity, or after the last payment on account thereof, or after any written acknowledgment of it.

PAYMENT.

If the acceptor or maker pays a bill or note to a BONA FIDE holder, it will amount to a complete discharge of all other parties thereon. But when payment is made by an indorser, such indorser, as a general rule, will retain his right to recover over against all the antecedent parties to the instrument until he has received a full indemnity; such payment discharges all the indorsers subsequent to himself.

The party paying a bill or note has a right to, and should insist on, its being delivered up to him.

NOTING.

When a bill or note is required to be protested within a specified time, it is sufficient that it has been noted for protest before the expiration of the specified time; and the formal protest may be extended at any time thereafter as of the date of the noting. There is a form for noting and giving notice of it. It is form A in the first schedule of the Bills of Exchange Act, 1890.

INTEREST.

Interest is recoverable on a Promissory Note in which there is no special agreement to pay interest, from the time when the principal became due, or ought to have been paid, at the rate of five per cent. per annum, which is called the LEGAL RATE. A note payable on demand carries no interest till a demand is made, either by suit or otherwise, unless there is an agreement to pay interest.

Whenever there is a special agreement to pay interest, that is when the words "with interest," etc., are contained in the note, it draws interest, of course, according to such agreement of contract.

A note or bill is outlawed (in Ontario) six years from the time it becomes due, or six years from the date of the last partial payment, or from the date of the last written acknowledgment.

The statute of limitations, passed in the reign of James I., requires that all actions founded upon any instrument or contract not under seal must be commenced within six years next after the cause of action accrued, and not after.

Interest ceases to run after a tender is made, providing the bill or note is already due.

In cases where interest is allowable on a bill or note, and no rate is specified, five per cent. per annum may be collected.

If a note bearing interest at a higher rate than five per cent. is not likely to be paid at maturity, have such words as the following inserted, "with interest at the rate of seven per cent. per annum *as well after as before maturity, until paid,*" otherwise only five per cent. could be collected after maturity.

A LOST NOTE.

When a note has been lost, the person who was holder of it may apply to the maker to give him another one of the same tenor, giving security if required, to indemnify the maker against all persons whatever, in case it should be found. If the maker on request, as aforesaid, refuses to give such duplicate note, he may be compelled to do so.

SHORT HOUSE LEASE.

This Indenture, made the first day of August, A.D. 1908, in pursuance of the Act respecting Short Forms of Leases.

Between John Jones, of the City of Belleville, Yeoman, hereinafter called the lessor, of the first part, and James Smith, of the City of Toronto, Contractor, hereinafter called the lessee, of the second part.

Witnesseeth, that in consideration of the rents, covenants and agreements hereinafter reserved and contained on the part of the said lessee, his executors, administrators and assigns, to be paid, observed and performed, he, the said lessor, hath demised and leased, and by these presents doth demise and lease unto the said lessee, his executors, administrators and assigns, all that certain (*here describe the premises*) together with all the rights, members and appurtenances whatsoever to the said premises belonging or appertaining.

To have and to hold the said demised premises, with their appurtenances, unto the said lessee, his executors, administrators and assigns, for and during the term of four years to be computed from the first day of August, 1908, and from thenceforth next ensuing, and fully to be completed and ended, yielding and paying therefor yearly and every year, during the said term hereby granted unto the said lessor, his heirs, executors, administrators or assigns, the sum of two hundred dollars of lawful money of Canada, to be payable on the following days and times, that is to say: quarterly on the first days of November, February, May and August in each year during the said term, the first of such payments to become due and be made on the first day of November next, and the last of such payments to be made in advance on the day of payment of rent, next preceding the expiration of the said term.

And the said lessee covenants with the said lessor to pay rent: and to pay taxes: and to repair (reasonable wear and tear, and accidents by fire or tempest excepted): and to keep up fences, and not to cut down timber: and that the said lessor may enter and view the state of repair, and that the said lessee will repair according to notice, and will not assign or sublet without leave: and will not carry on any business that shall be deemed a nuisance on said premises: and that he will leave the premises in good repair, provided that the lessee may remove his fixtures:

And also that if the term hereby granted shall be at any time seized, or taken in execution, or in attachment by any creditor of the said lessee or if the said lessee shall make any assignment for the benefit of creditors, or, becoming bankrupt or insolvent, shall take the benefit of any Act that may be in force for bankrupt or insolvent debtors, the said term shall immediately become forfeited and void, and the full amount of the current year's rent shall be at once due and payable: and also, that if the said premises be destroyed, or so much injured as to become unfit for occupation by fire or other casualty not caused by the wilful default or neglect of the said lessee, his executors, administrators or assigns, the said term hereby demised shall cease and the current quarter's rent shall be duly apportioned and the due proportionate part thereof shall be at once due and payable, but the said lessor shall not be obliged to rebuild said premises.

Proviso for re-entry by the said lessor on non-payment of rent or non-performance of covenants, or seizure or forfeiture of the said term for any of the causes aforesaid. The said lessor covenants with the said lessee for quiet enjoyment.

In witness whereof, the said parties hereto have hereunto set their hands and seals.

Signed, sealed and delivered
in the presence of
SAMUEL SHAW.

}

JOHN JONES, L.S.
JAMES SMITH, L.S.

NOTE.—L. S. stands for *Locus Sigilli*, the place of the seal.

FORM OF A BOND.*

MADE BY AN INDIVIDUAL.

Know all men by these Presents:

That I, JOHN SMITH, of the Town of—, in the County of —, and Province of Ontario, Banker, am held and firmly bound unto Robert Jones, of the Town of—, Builder, in the penal sum of twelve hundred dollars of lawful money of Canada, to be paid to the said Robert Jones or his certain attorney, executors, administrators or assigns, for which payment well and truly to be made I bind myself, my heirs, executors and administrators forever

* Debentures also get the name of Bonds. See a Debenture at page 257.

firmly by these Presents. Sealed with my seal and dated this first day of December, in the year of Our Lord one thousand nine hundred and eight.

The condition of the above written bond or obligation is such that, if the above bounden John Smith, his heirs, executors and administrators do and shall well and truly pay, or cause to be paid unto the above named Robert Jones, his executors, administrators or assigns, the just and full sum of six hundred dollars, in three equal consecutive annual payments from the date hereof, with annual interest at seven per cent. per annum, then the above obligation to be void; otherwise to remain in full force and virtue.

Signed, sealed and delivered
in the presence of
GEO. SHERRY.

} JOHN SMITH.



BOOKKEEPING ENTRIES FOR MORTGAGES.

The man who gives a mortgage is called the mortgagor, and the one to whom it is given, the mortgagee.

A borrows from B \$1000, and gives as security a mortgage on land. Before lending, B or his solicitor ascertained three things: First, by a search in the Registry Office, that A is the owner, and that there are no prior mortgages; second, by a visit to the Treasurer's office that the taxes have been paid; third, by going to the Sheriff's office, that there are no executions under judgments against the land.

The Mortgagor's entry for the transaction is:

Cash,	<i>Dr.</i>	\$1000 00	
To Mortgage Payable,			\$1000 00

The Mortgagee's entry is:

Mortgage Receivable	<i>Dr.</i>	\$1000 00	
To Cash,			\$1000 00

The mortgage is bearing interest at 6 per cent. per annum and is to be paid in five annual instalments, \$200 of principal each year, and interest on the unpaid principal. At the end of the first year, therefore, \$260 is paid; that is, \$200 of principal, and \$60 for interest. The Mortgagor's entry is:

Mortgage Payable	<i>Dr.</i>	\$200 00	
Interest,	"	60 00	
To Cash,			\$260 00

The Mortgagee's entry is:

Cash,	<i>Dr.</i>	\$260 00	
To Mortgage Rec.,			200 00
" Interest,			60 00

A bought a piece of land from B for \$4000, and paid down \$2000, and gave a mortgage for \$2000. A's entry is:

Real Estate,	<i>Dr.</i>	4000 00
To Cash,		\$2000 00
" Mortgage Payable,		2000 00

B's entry is:

Cash,	<i>Dr.</i>	\$2000 00
Mortgage Rec.,	"	2000 00
To Real Estate,		4000 00

MORTGAGE OF LAND.

This Indenture made (in duplicate) the eleventh day of May, one thousand nine hundred and five, in pursuance of the Act respecting Short Forms of Mortgages.

Between Simeon Simons of the Township of Thurlow, in the County of Hastings, Yeoman, hereinafter called the Mortgagor, of the first part.

John Johns, of the City of Belleville, Merchant, hereinafter called the Mortgagee, of the second part.

AND

Abigail Antoinette Simons, of the Township of Thurlow, wife of the said Mortgagor, of the third part.

Witnesseth that in consideration of the sum of two hundred and fifty dollars of lawful money of Canada, now paid by the said Mortgagee to the said Mortgagor, the receipt whereof is hereby acknowledged, the said Mortgagor doth grant and mortgage unto the said Mortgagee, his heirs, executors, administrators and assigns FOR EVER:

All and Singular that certain parcel or tract of land and premises, situate, lying and being lot number forty-six in the tenth concession of the Township of Thurlow, in the County of Hastings, containing by admeasurement two hundred acres of land, more or less.

And the said Abigail Antoinette Simons, wife of the said Mortgagor, hereby bars her dower in the said lands.

Provided this mortgage to be void on payment of two hundred and fifty dollars of lawful money of Canada, with interest thereon at seven per cent. per annum, as follows:

Said principal sum in five equal consecutive annual instalments of \$50 each, payable on the 11th day of May in each year hereafter. Interest at said rate payable half-yearly on the eleventh days of May and November in each year. The first payment of interest to be made on the 11th day of November next (1905). All arrears of principal and interest are to bear interest at said

rate, compounded half-yearly as well after as before maturity or default until fully paid.

And taxes and performance of statute labor.

The said Mortgagor COVENANTS with the said Mortgagee,

That the Mortgagor will pay the Mortgage money and interest, and observe the above proviso.

That the Mortgagor has a good title in fee simple to the said lands.

And that he has the right to convey the said lands to the said Mortgagee.

And that on default the Mortgagee shall have quiet possession of the said lands FREE from all incumbrances.

And that the said Mortgagor will execute such further assurances of the said lands as may be requisite.

And that the said Mortgagor will insure the buildings on the said lands to the amount of not less than three hundred dollars currency.

And that the said Mortgagor has done no act to encumber the said lands.

And that the said Mortgagor DOTH RELEASE to the said Mortgagee all his claims upon the said lands, subject to the said proviso.

Provided that the said Mortgagee on default of payment for two months may, on giving one month's notice, enter on and lease or sell the said lands.

Provided that the Mortgagee may distrain for arrears of interest.

Provided that in default of the payment of the interest hereby secured, the principal hereby secured shall become payable.

Provided that until default of payment the Mortgagor shall have quiet possession of said lands.

In Witness Whereof the said parties hereto have hereunto set their hands and seals.

Signed, sealed and delivered
in the presence of
JOHN DOE.

$\left. \begin{array}{l} \text{his} \\ \text{SIMEON} \times \text{SIMONS} \\ \text{mark} \end{array} \right\}$
 A. A. SIMONS.

SEAL.

SEAL.

Here follows Affidavit of Execution. For form see page 407.

See instructions about registration, pages 406 to 407.

ASSIGNMENT OF MORTGAGE.

This Indenture, made (in duplicate) the 30th day of June, A.D., 1905, between John Johns, of the City of Belleville, Merchant, hereinafter called the "Assignor," of the first part, and Orlando Dunn, of the City of Montreal, Notary, hereinafter called the "Assignee," of the second part.

Whereas, by a mortgage dated on the eleventh day of May, 1905, Simeon Simons, of Thurlow, Yeoman, did grant and mortgage the land and premises therein and hereinafter described to the said John Johns, his heirs, executors, administrators and assigns, for securing the payment of \$250, and there is now owing upon the said mortgage \$250 and interest thereon at 7 per cent. per annum from the said 11th May, 1905.

Now this indenture witnesseth, that, in consideration of \$253 of lawful money of Canada now paid by the said Assignee to the said Assignor (the receipt whereof is hereby acknowledged) the said Assignor doth hereby assign and set over unto the said Assignee, his executors, administrators and assigns, all that the said before in part recited mortgage, and also the said sum of \$250 and interest now owing as aforesaid, together with all moneys that may hereafter become due or owing in respect of said mortgage and the full benefit of all powers and of all covenants and provisos contained in said mortgage. And also full power and authority to use the name or names of the said Assignor, his heirs, executors, administrators or assigns, for enforcing the performance of the covenants and other matters and things contained in the said mortgage. And the said Assignor doth hereby grant and convey unto the said Assignee, his heirs and assigns, all and singular (here describe lands as in mortgage) to have and to hold the said mortgage and all moneys arising in respect of the same and to accrue thereon, and also the said land and premises thereby granted and mortgaged to the use of the said Assignee, his heirs, executors, administrators and assigns absolutely forever; but subject to the terms contained in such mortgage.

And the said Assignor for himself, his heirs, executors, administrators and assigns doth hereby covenant with the said Assignee, his heirs, executors, administrators and assigns, that the said mortgage hereby assigned is a good and valid security and that the sum of \$250 and interest as aforesaid is now owing and unpaid, and that he has not done or permitted any act, matter or thing whereby the said mortgage has been released or discharged, either partly or in entirety; and that he will upon request do, perform and execute every act necessary to enforce the full performance of the covenants and other matters contained therein.

In witness whereof the said parties hereto have hereunto set their hands and seals.

Signed, sealed and delivered
in the presence of
RICHARD ROE.

} JOHN JOHNS, (L. S.)

Here follows Affidavit of Execution. For form see page 407.

*DISCHARGE OF MORTGAGE.

PROVINCE OF ONTARIO,	}	DOMINION OF CANADA.
To Wit :		

To the Registrar of the County of Hastings.

I, John Johns, of the City of Belleville, merchant.

Do Certify that Simeon Simons, of the Township of Thurlow, Yeoman, has satisfied all money due on or to grow due on a certain Mortgage made by him to me, which Mortgage bears date the 11th day of May, A.D. 1905, and was registered in the Registry Office for the County of Hastings on the twelfth day of May, A.D. 1905, at forty minutes past three o'clock in the afternoon in Liber B. for the Township of Thurlow as No. 8293.

That such Mortgage has not been assigned. (*Here state whether Mortgage assigned or not*).

And that I am the person entitled by law to receive the money, and that such Mortgage is therefore DISCHARGED.

Witness my hand this eleventh day of May, A.D., 1908.

Witness:	}	JOHN JOHNS.
R. ROE,		

ONTARIO:	}	I, Richard Roe, of the City of Belleville,	
County of Hastings,			in the County of Hastings, Stenographer,
To Wit:				make oath and say:

1. That I was personally present and did see the within certificate of discharge of mortgage duly signed and executed by John Johns, one of the parties thereto.

2. That the said certificate of discharge of mortgage was executed at Belleville.

3. That I know the said party.

4. That I am a subscribing witness to the said certificate of discharge of mortgage.

Sworn before me at Belleville, in the County of Hastings, this 11th day of May, A.D. 1908. W. N. PONTON,	}	RICHARD ROE.

A Comm., etc., H. C. J.

*The above discharge of mortgage is supposed to be given by the original mortgagee, no assignment having been made.

BILL OF SALE. (CHATELS).

This Indenture, made in duplicate the first day of April, A.D. 1908, BETWEEN John Smith, of the City of London, in the County of Middlesex, Carpenter (hereinafter called the bargainor), of the first part, and Sandford Smith, of the City of Kingston, in the County of Frontenac, Esquire (hereinafter called the bargainee), of the second part.

Whereas, the said bargainor is possessed of the goods, chattels and personal effects, hereinafter set forth, described, and enumerated, and hath contracted and agreed with the said bargainee for the absolute sale to him of the same, for the sum of three hundred dollars, and these presents are intended to carry out such contract and agreement, NOW THIS INDENTURE WITNESSETH, that in pursuance of the said agreement, and in consideration of the sum of \$300 of lawful money of Canada paid by the said bargainee to the said bargainor, at or before the sealing and delivery of these presents (the receipt whereof is hereby acknowledged), he, the said bargainor hath bargained, sold, assigned, transferred and set over, and by these presents doth bargain, sell, assign, transfer and set over unto the said bargainee, his executors, administrators and assigns

ALL THOSE the said goods, chattels and personal effects, hereinafter described, and that is to say (*description of goods*) all which said goods, chattels and effects are now in the possession of the bargainor, and are situate, lying and being on, upon and about (*description of premises where the goods are*), and all the right, title, interest, property, claim and demand whatsoever, both at law and in equity, or otherwise, howsoever, of him the said bargainor of, in to, and out of the same, and every part thereof: TO HAVE AND TO HOLD the said hereinbefore assigned goods, chattels and effects and every of them and every part thereof, with the appurtenances, and all the right, title and interest of the bargainor thereto and therein, as aforesaid, unto and to the use of the said bargainee, his executors, administrators and assigns, to and for his and their sole and only use FOR EVER: AND the said bargainor doth hereby, for himself, his heirs, executors, administrators, COVENANT, PROMISE and agree with the said bargainee, his executors and administrators in manner following, that is to say: THAT he, the said bargainor, is now rightfully and absolutely possessed of and entitled to the said hereby assigned goods, chattels and effects, and every of them, and every part thereof; AND that the said bargainor now has in himself good right to assign the same unto the said bargainee, his executors, administrators and assigns, in manner aforesaid, and according to the true intent and meaning of these presents: AND that the said bargainee, his executors, administrators and assigns, shall and may from time to time, and at all times hereafter, peaceably and quietly have, hold, possess, and enjoy the said hereby assigned goods and chattels, and every of them, and every part thereof, to and for his and their own use and benefit, without any manner of hindrance, interruption, molestation, claim or demand whatsoever of, from or by the said bargainor, or any person or persons whomsoever: AND that free and clear, and freely absolutely released and discharged, or otherwise, at the costs of the said bargainor, effectually indemnified from

and against all former and other bargains, sales, gifts, grants, titles, charges, and incumbrances whatsoever: AND moreover that he, the said bargainor, and all persons rightfully claiming or to claim any estate, right, title, or interest of, in or to the said hereby assigned goods, chattels and effects, and every of them, and every part thereof, shall and will from time to time, and at all times hereafter upon every reasonable request of the said bargainee, his executors, administrators or assigns, but at the cost and charges of the said bargainee, make, do and execute, or cause or procure to be made, done and executed, all such further acts, deeds and assurances for the more effectually assigning and assuring the said hereby assigned goods and chattels unto the said bargainee, his executors, administrators and assigns, in manner aforesaid, and according to the true intent and meaning of these presents, as by the said bargainee, his executors, administrators or assigns, or his or their counsel shall be reasonably advised or required.

In witness whereof the said parties hereto have hereto set their hands and seal.

Signed, sealed and delivered
in the presence of
T. T. MACBETH.

} · JOHN SMITH, (L. S.)

CHATTEL MORTGAGE.

THIS INDENTURE, made (in duplicate) the first day of August, one thousand nine hundred and eight, BETWEEN Samuel Hope, of the City of Belleville, Merchant, hereinafter called the mortgagor, of the first part, and John Breeze, of the Township of Sidney, Yeoman, hereinafter called the mortgagee, of the second part.

WITNESSETH, that the mortgagor for and in consideration of two hundred dollars of lawful money of Canada to him in hand well and truly paid by the mortgagee at or before the sealing and delivery of these presents (the receipt whereof is hereby acknowledged) hath granted, bargained, sold and assigned, and by these presents doth grant, bargain, sell and assign unto the mortgagee, his executors, administrators and assigns, all and singular the goods, chattels, personal property and effects hereinafter particularly mentioned and described
all of which said goods and chattels, personal property and effects are now in the possession of the mortgagor, and are now situate, lying and being on, upon and about (here describe premises).

TO HAVE AND TO HOLD all and singular the said goods and chattels, personal property and effects unto the mortgagee, his executors, administrators and assigns to the only proper use and behoof of the mortgagee, his executors, administrators and assigns forever:

PROVIDED ALWAYS and these presents are upon this express condition that if the mortgagor, his executors or administrators do and shall well and truly pay or cause to be paid unto the mortgagee, his executors, administrators or

assigns, the full sum of two hundred dollars, with interest for the same at the rate of ten per centum per annum in manner following, that is to say:—(here detail terms of payment).

THEN THESE PRESENTS and every matter and thing herein contained shall cease, determine and be utterly void to all intents and purposes, anything herein contained, to the contrary thereof in anywise notwithstanding.

And the mortgagor for himself, his executors and administrators shall and will warrant and forever defend by these presents all and singular the said goods and chattels and property unto the mortgagee, his executors, administrators, and assigns, against him, the mortgagor, his executors and administrators, and against all and every other person or persons whomsoever.

And the mortgagor doth hereby for himself, his executors and administrators covenant, promise and agree to and with the mortgagee, his executors, administrators and assigns that the mortgagor, his executors or administrators, or some or one of them shall and will, well and truly pay, or cause to be paid unto the mortgagee, his executors, administrators or assigns the said sum of money in the above proviso mentioned with interest for the same as aforesaid on the days and times and in the manner above limited for the payment thereof; and also in case default shall be made in the payment of the said sum of money in the said proviso mentioned or of the interest thereon or any part thereof, or in case the mortgagor shall attempt to sell or dispose of, or in any way part with the possession of the said goods and chattels or any of them, or to remove the same or any part thereof out of the County of Hastings, or suffer or permit the same to be seized or taken in execution without the consent of the mortgagee, his executors, administrators, or assigns to such sale, removal or disposal thereof first had and obtained in writing or in case the mortgagor shall suffer, allow or permit a judgment to be obtained against him for a debt in any court of law or equity, or shall suffer, allow or permit any taxes, rates, duties or assessments whatsoever, for which he now is or hereafter during the currency of these presents, may be assessed, to remain unpaid and unsatisfied for a period of seven days after demand lawfully made therefor, by the proper officer in that behalf, or in case the mortgagor shall fail to pay the rent arising out of the land and premises upon which are situate and lying the said goods and chattels at any time during the currency of these presents, six days at least before the same shall become due, or in case default shall be made in the performance of any of the covenants by the mortgagor in these presents contained, then and in such case it shall and may be lawful for the mortgagee, his executors, administrators or assigns with his or their servant or servants, and with such other assistant or assistants as he or they may require at any time during the day to enter into and upon any lands and tenements, houses and premises wheresoever and whatsoever where the said goods and chattels or any part thereof may be, and for such persons to break and force open any doors, locks, bars, bolts, fastenings, hinges, gates, fences, houses, buildings, enclosures and places for the purpose of taking possession of, and removing the said goods and chattels; and upon and

from and after, the taking possession of such goods and chattels as aforesaid it shall and may be lawful, and the mortgagee, his executors, administrators or assigns, and each and any of them is and are hereby authorized and empowered to sell the said goods and chattels, or any of them, or any part thereof, at public auction or private sale as to them or any of them may seem meet : And from and out of the proceeds of such sale in the first place to pay and reimburse himself or themselves all such sums and sum of money as may then be due by virtue of these presents and all costs and expenses as may have been incurred by the mortgagee, his executors, administrators or assigns in consequence of the default, neglect or failure of the mortgagor, his executors, administrators or assigns in payment of the said sum of money, with interest thereon as above mentioned, or in consequence of such sale or removal as above mentioned, and in the next place to pay unto the mortgagor, his executors, administrators and assigns all such surplus as may remain after such sale and after payment of all such sum or sums of money and interest thereon as may be due by virtue of these presents at the time of such seizure and after payment of the costs, charges and expenses incurred by such seizure and sale as aforesaid :

PROVIDED that the mortgagee, his executors, administrators or assigns may, in default of payment of any of the payments of interest or instalments hereinbefore mentioned or any part thereof, distrain for the whole principal sum then unpaid.

PROVIDED ALWAYS, nevertheless, that it shall not be incumbent on the mortgagee, his executors, administrators or assigns to sell and dispose of the said goods and chattels, but that in case of default of payment of the said sum of money with interest thereon as aforesaid it shall and may be lawful for the mortgagee, his executors, administrators or assigns peaceably and quietly to have, hold, use, occupy, possess and enjoy the said goods and chattels without the let, molestation, eviction, hindrance or interruption of him the mortgagor, his executors, administrators or assigns, or any of them, or any other person or persons whomsoever; and the mortgagor doth hereby further covenant, promise and agree to and with the mortgagee, his executors, administrators and assigns that in case the sum of money realized under any such sale as above mentioned shall not be sufficient to pay the whole amount due at the time of such sale, that the mortgagor, his executors or administrators shall and will forthwith pay or cause to be paid unto the mortgagee, his executors, administrators and assigns all such sum or sums of money with interest thereon as may then be remaining due, as well also as all costs and expenses as may have been incurred by the mortgagee in and about such seizure and sale.

And the mortgagor doth put the mortgagee in the full possession of said goods and chattels by delivering to him these presents in the name of all the said goods and chattels at the sealing and delivery hereof :

And the mortgagor further covenants with the mortgagee that he will during the continuance of this mortgage and any and every renewal thereof

insure the goods and chattels hereinbefore mentioned against loss or damage by fire in some insurance office (authorized to transact business in Canada) in the sum of not less than dollars, and will pay all premiums and moneys necessary for that purpose three days at least before the same become due and will on demand assign and deliver over to the said mortgagee, his executors and administrators, the policy or policies of insurance and receipts thereto appertaining: Provided that if on default of payment of said premium or sums of money by the mortgagor in manner and at the time aforesaid, the mortgagee, his executors or administrators may pay the same and such sums of money shall be added to the debt hereby secured (and shall bear interest at the same rate from the day of such payment) and shall be repayable with the principal sum hereby secured.

In witness whereof the said parties hereto have hereto set their hands and seals.

Signed, sealed and delivered in the presence of SOLOMON ROSE.	}	SAMUEL HOPE, (L.S.)* JOHN BREEZE, (L.S.)
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AFFIDAVIT OF BONA FIDES TO ACCOMPANY ABOVE MORTGAGE.

ONTARIO: County of Hastings, To WIT:	}	I, JOHN BREEZE, of the Township of Sidney, in the County of Hastings, Yeoman, the mortgagee in the foregoing Bill of Sale
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by way of mortgage named make oath and say: That Samuel Hope, the mortgagor, in the foregoing Bill of Sale by way of mortgage named is justly and truly indebted to me this deponent, John Breeze, the mortgagee therein named in the sum of two hundred dollars mentioned therein:

That the said Bill of Sale by way of mortgage was executed in good faith and for the express purpose of securing the payment of the money so justly due or accruing due as aforesaid, and not for the purpose of protecting the goods and chattels mentioned in the said Bill of Sale by way of mortgage against the creditors of the said Samuel Hope, the mortgagor therein named or of preventing the creditors of such mortgagor from obtaining payment of any claim against him the said Samuel Hope.

Sworn before me at Belleville, in the County of Hastings, this third day of August, in the year of Our Lord, 1908.	}	JOHN BREEZE.
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THOMAS BROWN,

A Commissioner, etc., etc.

See page 400 for explanations of Bills of Sale and Chattel Mortgages.

BILLS OF LADING, OR SHIPPING BILLS.

The expression "BILL OF LADING" includes all receipts for goods, wares or merchandise, accompanied by an undertaking to transport the same from the place where they were received to some other place, whether by land or

water, or partly by land and partly by water, and by any mode of carriage whatever.

Banks are empowered to acquire BILLS OF LADING as collateral security for the payment of any debt incurred in their favor in the course of their business; and they may exchange Warehouse Receipts (see Warehouse Receipts, pages 214 to 215) for BILLS OF LADING on shipment of goods previously covered by Warehouse Receipts. There is the same penalty for making a false statement in a BILL OF LADING, or alienating goods covered by one, as in the case of Warehouse Receipts. See page 215.

A FORM OF BILL OF LADING.

SHIPPED in apparent good order by S. G. Beatty, *Hamilton, Ontario*, and consigned to (or to the order of) Messrs. J. Taylor & Co., *Montreal*, in and upon the *Steamer Passport*, whereof *Thomas Smith* is master or agent for the present voyage, and now lying in the port of *Hamilton*, viz. :

Marks and Numbers.	Articles.	Weight.
J. T. & Co. M. 139.	<i>Thirty-five Boxes Tea, Forty-six Bales Paper Bags.</i>	2100

Being marked and numbered as per margin; and are to be delivered in like good order and condition, at the port of *Montreal, in the Province of Quebec* (the Act of God, the King's enemies, Fire, and all and every the dangers and accidents of the Seas, Rivers and Navigation, of whatever nature and kind excepted), he or they paying freight for the said goods at the rate of twenty-five cents per cwt.

In witness thereof, the Master or Purser of said vessel hath affirmed to THREE Bills of Lading, all of this tenor and date; one of which being accomplished, the rest to stand void.

Dated at Hamilton, Ontario, this 21st day of June, 1908.

C. PORTER, Purser.

Three Bills of Lading are frequently given, all constituting (just like foreign Bills of Exchange) one bill. This is done in order that one may be given to the vessel, one sent to the consignee and one retained by the consignor.

The expression a "Free Bill of Lading" means where goods are consigned to the BUYER direct, instead of to the order of a bank, which would not give up control until the goods were paid for, or a draft for the amount accepted or paid.

The expression "Through Bill of Lading" means that goods are to be forwarded by several lines of transportation and the agent of the Company receiving them from the shipper receipts for them over the various lines to their destination, the several companies having made arrangements by which this can be done.

Bills of Lading are often attached to Drafts, sent through banks, as evidence to the drawee that the goods were shipped by the drawer, and also as security to the latter that the drawee will not obtain possession of the goods until he has accepted or paid the draft.

The following questions respecting Bills of Lading were recently received by us from Ottawa. They involve the most important points in connection with this subject :

QUESTIONS.

When a wholesale house sends goods "to order," what should a person do if he is working in a freight office? On the Way Bill (or Manifest) will be written "to order;" sometimes "to the order of John Jones, notify him;" again, "to the order of the Bank of ———, notify James Stuart;" and again, "to order, hold it." Why are these goods sent "to order?" Is the agent of the railroad obliged to notify the parties of the arrival of the goods? When the goods are delivered, why does the agent collect the Bill of Lading?

ANSWERS.

Goods are usually consigned by the seller direct to the buyer's name on the Bill of Lading. Goods are consigned "to order" by rail or vessel when the shipper at the time of shipment has not yet sold the goods, but wants to have them at the point designated for convenience of sale; or, having sold them, is awaiting payment or security before giving up possession. When goods are consigned to the order of a Bank, with instructions to notify James Smart, the Bank is acting as the agent for the shipper, and Smart, for whom the goods are intended, is notified of their arrival so that he may go to the Bank and, by paying the draft drawn for the goods, secure the Bill of Lading which the Bank will indorse over to him. He will then be the owner of the goods, entitled, after payment of freight, to get possession of them. The agent of the railway or purser of the vessel collects the Bill of Lading to prove the completion of the contract, on the same principle that if you sign a note payable to order and subsequently pay it, you require that it shall be delivered up after being indorsed by the payee, as evidence of the discharge of the debt.

Below is a copy of a tag attached to consignments by rail, to the order of shippers, of machinery from New York to Belleville :

Order F. L. SMITH & Co.
 Notify LEHIGH PORTLAND CEMENT Co., Limited,
 Belleville, Ontario, Canada.
 FROM
 F. L. SMITH & Co., Engineers,
 CEMENT MAKING MACHINERY,
 No. 41 Cortland Street, New York.

* DEEDS.

A Deed is a writing signed, sealed and delivered, to testify the agreement of the parties to the thing contained in the deed. All instruments under seal are, in law, deeds; but in common acceptance a deed is a conveyance of lands. The consideration of a deed may either be **GOOD** or **VALUABLE**. A good consideration is founded on natural love and affection between near relations by blood; a valuable consideration is founded on something deemed valuable, as money, goods, service or marriage.

Every deed or contract is void when made for any fraudulent purpose, or in violation of law, such as a deed given in preference of one creditor unjustly over others. See Form of a Deed on next page.

DEED IN ESCROW.

Sometimes after completion of a Deed, delivery is delayed until certain conditions are fulfilled. It is usual under those circumstances to entrust the deed to a disinterested, reliable person who will retain possession until both parties are agreed that it may be delivered. A deed in the hands of such a person is said to be in escrow.

FORM OF DEED.

This Indenture, made in duplicate the eleventh day of May, one thousand eight hundred and ninety-six, in pursuance of the Act respecting Short Forms of Conveyances:

Between John Johns, of the City of Belleville, in the County of Hastings, Merchant, of the first part;

Jane Johns, of the same place, his wife, of the second part,

AND

Simeon Simons, of the Township of Thurlow, in the County of Hastings, Yeoman, of the third part.

Witnesseth, that in consideration of five thousand dollars of lawful money of Canada now paid by the said party of the third part, to the said party of the first part (the receipt whereof is hereby by him acknowledged), he, the said party of the first part, doth grant unto the said party of the third part in fee simple;

All and Singular that certain parcel or tract of land and premises situate, lying and being Lot number Forty-six, in the Third Concession of the Township of Thurlow, in the County of Hastings, containing by admeasurement two hundred acres of land, be the same more or less.

To have and to hold unto the said party of the third part, his heirs and assigns to and for his and their sole and only use for ever; subject, nevertheless

* See Conveyances of Lands at page 402 and Registration at pages 406 and 407.

less, to the reservations, limitations, provisos and conditions expressed in the original Grant thereof from the Crown.

The said party of the first part covenants with the said party of the third part that he has the right to convey the said lands to the said party of the third part notwithstanding any act of the said party of the first part.

And that the said party of the third part shall have quiet possession of the said lands, free from all encumbrances.

And the said party of the first part covenants with the said party of the third part that he will execute such further assurances of the said lands as may be requisite.

And the said party of the first part covenants with the said party of the third part that he has done no act to encumber the said lands.

And the said party of the first part releases to the said party of the third part all his claims upon the said lands.

And the said Jane Johns, wife of the party of the first part, hereby bars her dower in the said lands.

In Witness Whereof the said parties hereto have hereunto set their hands and seals.

Signed, sealed and delivered
in the presence of
(having been first read over
and explained).
RICHARD ROE.

JOHN JOHNS.

JANE ^{her} × JOHNS.
mark.

SEAL.

SEAL.

Here follows Affidavit of Execution, see page 407.

FORM OF AN AGREEMENT TO PURCHASE LAND.

An agreement to purchase land in the future must be in writing, after such a form as the following:—

John Smith hereby agrees to sell and Geo. Jones hereby agrees to buy lot 29, East Front St., Belleville, for three thousand dollars on or before the first day of July, 1908. The vendor shall not be bound to produce any title deeds, abstracts, or evidences of the title, or copies thereof, other than those in his possession.

Witness:

ROBERT BROWN.

JOHN SMITH.

GEO. JONES.

Belleville Ontario, May 29, 1908.

QUIT CLAIM DEED.

This Indenture, made (in duplicate) the first day of September, in the year of our Lord, one thousand eight hundred and ninety-seven.

Between George West, of the town of, etc., Contractor, and Mary West, the wife of the said George West, of the first part, and James East, of the, etc., Yeoman, of the second part.

Witnesseth, that the said parties of the first part, for and in consideration of (*here insert the amount*) of lawful money of Canada, to them in hand paid by the said party of the second part, at or before the sealing and delivery of these presents (the receipt whereof is hereby acknowledged), have granted, released and quitted claim, and by these presents do grant, release and quit claim unto the said party of the second part, his heirs and assigns for ever, all the estate, right, title, interest, claim and demand whatsoever, both at law and in equity, or otherwise, howsoever, and whether in possession or expectancy of, in and to, all and singular that certain parcel or tract of land and premises situate, lying and being, etc. (*Here describe the property*). Together with the appurtenances thereto belonging or appertaining; to have and to hold the aforesaid land and premises, with all and singular the appurtenances thereto belonging or appertaining, unto and to the use of the said party of the second part, his heirs and assigns forever; subject nevertheless to the reservations, limitations, provisos and conditions expressed in the original grant thereof from the crown.

In witness whereof, the said parties to these presents have hereunto set their hands and seals.

Signed, sealed and delivered
in the presence of
E. B. SAMPLE.

GEORGE WEST.

MARY WEST.

SEAL.

SEAL.

THE TORRENS SYSTEM OF TRANSFERRING LAND.

In a country like Canada, which is three and a half millions of square miles in extent, and where every man and woman may be the owner of land (real estate), it is desirable that the evidence of ownership should be absolute and indefeasible at law, and that the mode of transferring land should be easily and inexpensively accomplished.

The system that prevails generally throughout the Province of Ontario and the other old Provinces of Canada is transfer by deed. See "Conveyances of Lands," at page 402, and "Registration," at pages 406 and 407. The weakness in this system is, that flaws may exist in titles to land conveyed by this method. The registration of a deed of land under the old system is merely the registration of a document, which may or may not be evidence of ownership. Under ordinary circumstances a deed is evidence of ownership, but many extraordinary circumstances arise that cloud, or vitiate, or render invalid such a title.

In order to obviate the trouble that may arise under such a system a man named Torrens devised and made applicable in Australia the simple and effective method of land transfer known by his name. It has been adopted and prevails in all the new Western Provinces of Canada. In Ontario: the City of Toronto, the County of York and a few other counties have adopted it, but as yet only as an alternative system.

The name "Torrens Title," is a familiar one to lawyers, real estate men, and to many who carry large holdings of property, but to the ordinary citizen, it is safe to say, it does not convey much meaning. But the system of Torrens Title is a very important one in real estate transactions. It is coming more and more into favor, and recently quite a few property owners have put their property under the system provided by the Land Titles Act. The Torrens system registers your TITLE, not your deed.

Under the ordinary system, when a person purchases a piece of property, the first thing necessary is an exhaustive search of the title, and every time the property changes hands the same process is necessary, no matter how careful and thorough the previous searches may have been. Sometimes it is necessary to examine the records as far back as twenty years or more, and this entails considerable expense on the purchaser. One of the most vexatious points which it is absolutely necessary to clear up is the bar of dower. No man in the old Provinces of Canada can sell property without the consent of his wife to forego her legal share, but if the wife has died before the transaction takes place there is naturally no occasion for this bar of dower. The purchaser, fully cognisant at the time of all the facts, does not bother himself about legal proof, but when he comes, possibly ten years later, to sell the property, the purchaser has to be assured that there can be no possible claim against the land, and it is sometimes no easy matter to obtain the proof desired, entailing the searching of a number of documents.

Another troublesome question which has to be thoroughly cleared up is in the matter of a previous conveyance by executors of some part of an estate. It is always possible that at the time there may have been claims by heirs not mentioned in the conveyance, and when a number of years have passed the solicitor engaged by the new purchaser to examine the validity of the title has often to make a very comprehensive search to assure his client that it is perfect. There are other minor points which have to be cleared up, but these are the two principal difficulties often encountered.

Under the Torrens system, all this searching and re-searching is done away with. A Torrens Title, once granted, is inviolate. All that the man who buys a piece of property with this title has to do is to get absolute assurance that the man who sells it to him is the rightful owner. There is no diving into musty archives, no going behind the title granted by the court.

When a man wants to put his property under the Land Titles Act, all he has to do is to make application to the Master of Titles, and produce before him the most perfect evidence that his title is valid. This fact satisfactorily

proved, the Master of Titles grants him a certificate of title, good for all time, and his property is registered in the Land Titles Office, marked with a certain number. If he wishes at any time to make a transfer of the property he must produce evidence that he is the actual owner, and that the title, so far as he alone is concerned, is valid. The only points to be cleared up under this system are those affecting the single transfer, and every point must be covered by affidavit.

The advantages of this system are undeniable. Property under a Torrens title sells better, because the buyer IS ABSOLUTELY ASSURED OF THE TITLE, and is not under the necessity of waiting possibly months, which he might have to do under the ordinary system of registration. He is also saved the heavy expense often involved in a search. Then, again, the registration of the property in the land titles office under a number does away with the necessity of a description in the deed of transfer. It is necessary only to mention the number under which the property is registered.

The process of putting property under a Torrens title is not exactly a cheap one, very few processes connected with courts of law are, but the advantages are so evident that owners of properties of any size and value are finding it well worth the expense.

This is the copy of an advertisement (dates altered) in connection with land sought to be placed under the Land Titles Act, clipped from a Toronto paper.

LAND TITLES ACT.

In the matter of the west $\frac{1}{2}$ of Lot 17, in the 4th Concession of the Township of King, in the County of York, containing by estimation 100 acres more or less.

Notice is hereby given that *ANNIE E. GRANGER*, wife of Frederick Granger, of the said Township of King, farmer, has applied to me for a certificate of title to the above mentioned property under the Land Titles Act, whereof she claims to be the owner in fee, free from all incumbrances, *EXCEPT* a mortgage held by Annie McIntyre, and Registered in the Registry office for the North Riding of the County of York as No. 6,547.

Wherefore any other person having, or pretending to have, any title to or interest in the said property, or any part thereof, is required on or before the 29th November, 1905, to file a statement of his claim in my office at Osgoode Hall, in the City of Toronto, and to serve a copy on *Messrs. Robinson, Lennox & MacLeod*, Room 77 Canada Life Building, Toronto, Solicitors for the applicant, and in default every such claim will be barred, and the title of the said applicant will become absolute and indefeasible at law and in equity, subject only to the reservations mentioned in sections 11 and 24 of the said Act.

Dated at Toronto, this 24th day of October, 1905.

J. G. SCOTT,

Master of Titles.

INDENTURE, OR ARTICLES OF CO-PARTNERSHIP.

THIS INDENTURE, made in this day of
one thousand nine hundred and

BETWEEN _____ of the _____ of _____
in the County of _____ of the first part.
AND _____ of the _____ of _____
of the second part.

WHEREAS the said parties hereto have agreed to become co-partners in the _____ of _____ at the _____ of _____ in the County of _____ under the name, style and firm of _____ subject to the covenants and agreements hereinafter expressed.

NOW THIS INDENTURE WITNESSETH, that each of the said parties hereto covenants and agrees with the other of them, his executors and administrators, as follows:

1. THAT the said parties shall be co-partners together in the
of
name, style and firm of
for the term of _____ year to be computed from the
day of
at the _____ in the County
of _____

2. THAT the said co-partners shall each contribute towards the Capital Stock of the co-partnership as follows:

3. THAT the said partners shall be entitled to the profits of the said co-partnership in the proportion following: the said

4. THAT all losses and expenses of the said co-partnership shall be borne and paid

5. THAT each of the said partners shall be at liberty to draw out of the profits of the said co-partnership weekly, a sum not exceeding

6. THAT the management and control of the said business shall be conducted by _____ and that no servant or workman shall be engaged or discharged without the consent of _____

7. THAT all proper and correct books of account shall be kept of the said co-partnership, and shall at all reasonable times be open for the inspection of the said co-partners. And a complete balance sheet shall be prepared once in every months.

8. THAT a general statement of the stock-in-trade, book debts, accounts and debts owing by the said co-partnership shall be made on the _____ day of _____ each year of the said term.

9. THAT at any time during the said term either of the said co-partners shall be at liberty to determine the said co-partnership by giving to other of them _____ months' notice of his intention to determine the same, or in case of the death of either of the said partners this co-partnership shall thereupon cease in the same manner as though the same had determined by effluxion of time.

10. THAT in case of any disputes or differences between the said co-partners the same shall be referred to Arbitrators to be chosen and appointed, one Arbitrator for each co-partner, and the Umpire to be chosen by such Arbitrators, and the award of a majority of them to be final, and in case of either partner neglecting or refusing for one month to appoint an Arbitrator, the other partner to be at liberty to appoint one on his behalf. Such Arbitrators to have all powers and authority necessary to settle the matters in question, and such Arbitration not to be considered a dissolution of the said co-partnership.

11. THAT neither of the said partners shall make, draw, indorse, or accept any Bill of Exchange or Promissory Note, outside the ordinary business of the firm, or become bail or surety for any person, or commit any act or thing whereby the partnership moneys or effects may be endangered of attachment or execution.

12. THAT each of the said partners shall be just and true to each other in all matters of the said business, and will devote their whole time diligently and faithfully to the concerns of the same, and will not at any time during their co-partnership engage in any other business whatever.

13. THAT at the expiration of this co-partnership the parties hereto shall appoint some fit and proper person to get in all outstanding accounts and to settle and adjust the partnership concerns.

IN WITNESS WHEREOF, the said parties hereto have hereunto set their hands and seals.

Signed, sealed and delivered	Name.	[Seal]
in the presence of	Name.	[Seal]

NOTE.—For Affidavit of Execution see page 407.

NOTE.—No two articles of co-partnership will be alike. This is given to indicate the form that would be followed and the probable facts to be stated. The arrangement that should be made for an equitable distribution of gains and losses where there is an unequal investment of capital but equal skill and time, is stated on page 102. Also at the same page will be found the manner of adjusting inequality in time and skill. A declaration of partnership in Ontario must be filed at the Registry Office within six months from its formation.

WILLS.

FORM OF A WILL.

I, WILLIAM HENRY BROWN, of the City of Belleville, in the County of Hastings, and Province of Ontario, Canada, Merchant, being of sound mind and memory, and considering the uncertainty of this frail and transitory life, do therefore make, and declare this to be, my last WILL AND TESTAMENT, that is to say:

First.—After all my lawful debts and funeral and testamentary expenses are paid and discharged, I BEQUEATH to my wife, Laura Brown, the dwelling-house and land connected therewith, which we now occupy as a homestead; and all the furniture and household goods, including pictures, books, linen, china, plate, provisions, chattels and effects (other than money or securities for money) which shall at my death be in or about my dwelling-house, or the outbuildings or grounds thereof. I also bequeath to my said wife the sum of six thousand dollars cash, to be paid to her within one calendar month after my death, without interest.

Second.—I give to my daughter Jane, four thousand dollars cash, and thirty shares in the Bank of Montreal, for her sole use and for the use of her heirs, at her discretion.

Third.—I give to my son William, all my real estate in the Township of Thurlow, County of Hastings, Province of Ontario, and all the live stock and implements used for farming purposes in connection with the same.

Fourth.—All the rest and residue of my property, real and personal, I give and bequeath to my son Thomas.

Fifth.—I hereby appoint my son WILLIAM to be executor and my wife LAURA executrix of this my last will and testament, hereby revoking all former wills by me made. AND I APPOINT my said wife and Robert Henry Smith, of the City of Belleville, aforesaid, guardians of my infant children.

IN WITNESS WHEREOF, I, the testator, have hereunto set my hand and seal, this first day of December, in the year of our Lord, nineteen hundred and seven.

Signed, sealed, published and declared by
the testator, as and for his last Will
and Testament, in the presence of us
both, who (in his presence), at his request,
and in the presence of each other, have
hereunto subscribed our names as wit-
nesses,

THOMAS STRONG, Merchant,
of Cobourg, Ontario.

PETER FRASER, Accountant,
of Belleville, Ontario.

WILLIAM H. BROWN.

SEAL.

It is essential that every one having property to leave behind after death, should know how to execute a will. The following newspaper clipping gives a striking example of this. Here was a will made by a man of high intelligence, who had achieved fame as a literary man, and yet he evidently had not learned how his will should be legally executed.

J. MACDONALD OXLEY'S WILL.

**Signature Not Being Witnessed
Document Has No Effect.**

Mrs. James Macdonald Oxley has applied for letters of administration in the estate of her late husband. Deceased left a will by which his whole estate, was bequeathed to his widow, **BUT HE FAILED TO GET HIS SIGNATURE WITNESSED.** This omission invalidates the will, and the widow is therefore only entitled to her dower of one-third, the other two-thirds falling to his children. He left three sons and two daughters.

At page 408 you will find full instructions for making and witnessing a will.

CODICILS TO WILLS.

As time goes on and circumstances change, it is frequently desirable or necessary to make a change in the distribution of one's estate; for this purpose a Codicil is added to the Will. A Codicil should be as follows:

"This is a Codicil to the last Will and Testament of me, John Smith, of the City of Toronto, in the County of York, Bookseller, bearing date the twenty-first day of May, 1907." Then follow the particulars of the change desired. *The Codicil must be signed and witnessed exactly the same as a Will, the same formalities being observed.* Unless the changes are slight, it is found that most persons prefer to execute a new Will, drawn to suit the altered circumstances.

POWER OF ATTORNEY.

Know all men by these Presents, that I, (*Fill in here the name, business and address of the Attorney*), of _____ has been made, constituted and appointed, and is by these presents made, constituted and appointed the true and lawful Attorney of the undersigned (*Fill in here the name, business and address of the Customer*), of _____ for and in the name of the undersigned to *draw, accept, sign, make, indorse, negotiate and dispose of* all or any Bills of Exchange, Promissory Notes, Cheques, and Orders for the payment of money; to pay and receive all moneys, and to give acquittances for the same; to discount or deposit with or transfer to THE CANADIAN BANK OF COMMERCE any negotiable paper, Stocks, Bonds and other securities; to draw and sign all Cheques, Orders, and Drafts for payment of money on the said Bank, and to *overdraw* the account of the undersigned with the same if he shall think fit; to arrange, settle and balance all books and accounts, and to sign the Bank's form of settlement of balances and release; and generally for and in the name of the undersigned, to

The said Bank may continue to deal with the said Attorney under this power until notice of the revocation hereof has been given in writing to the Manager or Acting Manager of the Branch of the said Bank at which the account of the undersigned is kept, and until such notice in writing has been given, the acts of the said Attorney hereunder with the said Bank shall be binding on the undersigned.

In witness whereof these presents have been executed by the undersigned at
this day of
One Thousand Nine Hundred and

Witness:

The authority conferred by Power of Attorney is called "Procuration." When signing by procuration (say an accountant signing a cheque, drawing a draft, indorsing, etc.), sign thus :

ROBINSON & JOHNSON,
per. pro WM. PRINGLE.
(or p. p.)

It is done a little more formally in such an instrument as a deed or mortgage or lease, as

JOHN JONES,
by his attorney,
J. W. LONDON.

NOTE.—The above is a General Power of Attorney. A Special Power of Attorney would confer limited power, for instance, to perform one act or a limited number of acts only.

Correspondence.

THOSE WITH WHOM YOU CORRESPOND ARE YOUR CORRESPONDENTS.

A valid and binding contract can be made by the interchange of letters, if a direct offer be unconditionally accepted. An offer can be withdrawn if not accepted. The point at which a contract is completed by correspondence is when an unconditional acceptance of an offer is written or telegraphed and posted or handed to the Telegraph Company. Preserve letters received. When answered, file them in a cabinet if you have one; if not, fold them to one uniform size, and on the back, at the top, place the writer's name and address and the date of the letter. See page 453. Put them away in monthly packages. All important letters written to others should be copied in the letter copying book by the copying press process.

In all composition **THREE** things require attention; the thoughts, their arrangement, and the language employed.

Of all kinds of composition, letters are the most universal and important; yet among the millions written annually, how few could bear criticism. Errors in spelling, grammar, penmanship and arrangement are generally attributed to haste, which is considered as ample apology for every fault; when, in reality, the writer is not qualified to write a letter correctly under the most favorable circumstances.

In no way can a person so commend himself to the favorable regard of others, or impart to them so just an idea of his mental qualities, as by composition.

The words "Without Prejudice," added to a written offer mean that the letter cannot afterward be used in evidence against the party writing the letter and using the words; and in negotiations for a compromise, if not concluded on the basis offered, the matter reverts to the original position as though no negotiations had occurred. See last letter in the series that follow.

* COMPOSITION.

DEFINITIONS—SYNTHESIS OF SENTENCES.

1. Literary Composition is putting words together in order to convey our thoughts to others. Good composition conveys our thoughts correctly, clearly and pleasantly, so as to make them readily understood and easily remembered.

To express ourselves well we must first have something to say. If we have not been able to come to any definite conclusion about a subject, we should be silent.

We must next choose the right names for the things or actions of which we are going to speak. This is not always easy, for we are apt to talk loosely of quantities and qualities; to say there are "thousands" where there are only hundreds, to call an event "marvellous" when it is only unusual, or to refer to "ages" when there are only years.

Lastly, we must arrange our words in the right way, so that they shall fit one another and combine to make good sense; just as we must put bricks or stones together properly to make a building stand. All language is a construction; it is the building or binding of words.

2. The term Sentence is applied to every arrangement of words expressing a complete sense, that is, a thought, judgment or decision.

Every sentence involves a mental realization of two things and an assertion of some connection between them. When I say "I am here" I have the idea of myself, of a present place, and of my being in it. When I say "Cain struck Abel" I have the idea of Cain, of his brother, and of a blow passing from one

to the other. The verb in the latter case is transitive, in the former intransitive; in each we make no more than one plain assertion, and the result is a Simple Sentence. But when I say "James and I met John" I make, in short space, three statements:—I met John. James met John. James and I were together. The result is a Compound Sentence.

3. Frequently we have to make statements modified by some qualification. This qualification may be expressed by a single word, as "I ran home *quickly*;" by a Phrase, or set of words without a subject and predicate, as "I met him *on my way home*;" or by a Clause, or set of words containing a subject and predicate, as "I met him *while he was on his way home*." Clauses may often be expressed by phrases, and phrases may be shortened into words—*e. g.*, "when he was acting as an enemy," or "acting as an enemy," or "hostilely."

Co-ordinate clauses are parts of sentences otherwise independent but connected by conjunctions, as "They gave up the attempt and *retreated to their fortresses*." A Subordinate Clause is a clause the construction and meaning of which is dependent on the principal or leading assertion, as "He ran quickly *that he might get home first*." Sentences containing subordinate or secondary clauses are sometimes called Complex Sentences.

A Sentence may be both compound and complex; it may convey an indefinite number of statements, and each may be qualified by an indefinite number of clauses. There should, however, in every instance be a leading statement, obviously more important than the others, and giving a unity to the whole. Otherwise the facts or thoughts should be expressed in several sentences.

4. Clauses have been called adjective, relative, adverbial or conjunctive, according to the parts of speech which introduce them; but it is of more consequence to observe that they are expansions in form, in matter, various modifications, either in the way of extension or restriction, of the main subject and predicate.

Half the art of composition consists in keeping the subordinate parts of the sentences in proper relation to the principal parts. Making the main assertion clear is to a writer what making his house stand firm is to a builder. Details of ornament are minor matters.

5. To this end the practice of Grammatical Analysis—or splitting compound and complex sentences into their elements—is an aid. By a converse process, Grammatical Synthesis, these elements, the expression of the separate judgments a sentence contains, are bound together. Take the following :—

Sir Philip Sidney was wounded.

He was at a battle.

It took place near Zutphen.

The wound was inflicted by a musket ball.

It broke the bone of his thigh.

This led to his death.

These assertions are easily gathered up into a single compound and complex sentence :—

“Sir Philip Sidney, at the battle near Zutphen, was wounded by a musket ball, which broke the bone of his thigh and led to his death.”

Or take a different kind of construction :—

He sacrificed his country.

He sacrificed his home.

He sacrificed his personal honor.

He sacrificed them to a cause.

He was now deserting it.

All these failed to influence his decision.

Condense thus :—

“That he had sacrificed country, friends, home and personal honor to the cause he was now deserting did not influence his decision.”

[*Synthesis of a greater number of assertions into variously qualified unities may be made to form the subjects of more difficult but highly useful exercises.*]

6. Modifying phrases and subordinate clauses often occupy much more space than the principal clause, but the latter is the pivot of the sentence.

The qualifications may either :—

- (a) Follow the main assertion;
- (b) Precede it; or,
- (c) Be inserted between its members.

Take the following as examples of the three modes of their introduction :

(a) “The castle consists of a square keep or tower, several stories high, encompassed by a square embattled wall, which has circular towers at each angle.”

(b) “While the multitudes below saw only the flat sterile desert in which they had so long wandered, bounded on every side by a near horizon, or diversified only by some deceitful mirage, he was gazing, from a far higher stand, on a far lovelier country.”

(c) “The two opposite parties who professed in specious terms, the one a preference for moderate aristocracy, the other a desire of admitting the people at large to an equality of civil privileges, made the state which they professed to serve in reality the prize of their contention.”

The first of these is called a *loose* sentence; because it might end with “tower” and yet convey a distinct and apparently complete sense; the adjective clauses are thrown upon what precedes, as if they were after thoughts. The second and third, where the assertion does not appear till the close, are called *periods*. In some instances the former, in others the latter mode of construction is preferable,

8. A succession of sentences relating to the same view of the same subject is called a Paragraph, the close of which is generally indicated by the next sentence beginning with a new line. The separate sentences explain or illustrate one another and have the same kind of relation to the Paragraph that the clauses have to the sentence.

A series of paragraphs make up a Theme, Speech or Essay, or Chapter of a book.

PUNCTUATION.

The relation of the parts of a sentence to one another should be made as plain as possible by proper arrangement; but it is sometimes made more clear in spoken language by proper pauses, and in written or printed language by Punctuation.

The following are the Points common in English, and the main rules for their use:—

The Full Stop (.), or Period, marks the close of a sentence, whether simple or complex, loose or periodic. It indicates that the construction is complete, and that an assertion has been fully made; though other sentences in the same paragraph may follow to modify the thought. The period is also employed to mark abbreviations, as in Christian names or titles—T. B. Potter; Lord Beaconsfield, K. G.

2. The Colon (:) generally indicates that the sentence might grammatically be regarded as finished, but that something follows without which the full force of the remark would be lost:—"Study to adopt a habit of thinking: no study is more important." This point is used after a general statement followed by the specification of two or more heads:—"Three properties belong to wisdom: nature, learning and experience." A direct quotation is often introduced by a colon:—"He was heard to say: 'I have done with the world.'"

3. The Semicolon (;) is used similarly, but it indicates a closer connection in the clause that follows. Reasons are preceded by semicolons:—"Economy is no disgrace; for it is better to live on a little than to outlive a great deal." So are clauses in opposition when the second is introduced by an adversative:—"Straws swim at the surface; but pearls lie at the bottom." Without the adversative, prefer a colon:—"Prosperity sheweth vice: adversity virtue." Several members dependent on a common clause follow semicolon, *e. g.*, "Philosophers assert that nature is unlimited; that her treasures are endless; that her increase of knowledge will never cease."

4. The Comma (,) represents the shortest natural pause in reading or speaking the sentence. It groups the words immediately related in grammar or sense, and indicates where their connection is interrupted. There is considerable latitude in the use of commas. Avoid using them lavishly; mere adjective or adverbial phrases do not require them. The following, for instance, needs none:—

"By pandering to the passions of the half-educated mob you will hardly fail to secure their votes."

But this does:—

"By pandering to the passions of the mob, who in this part of the country control the elections, you will secure their votes."

Some special uses of the comma are worthy of note. It is employed:—

(a) To separate adjectives in opposition but closely connected:—
"Though deep, yet clear."

(b) After adjectives, nouns and verbs, in compound sentences, where "and" is omitted:—

"Are all thy conquests, glories, triumphs, spoils, shrunk to this little measure?"

"He fills, he bounds, connects and equals all."

So with pairs of words:—

"Old and young, rich and poor, wise and foolish, were involved in the ruin of the Glasgow Bank."

Similarly, to separate a series of assertions relating to the same nominative and not connected by a conjunction:—

"He rewarded his friends, chastised his foes, set Justice on her seat and made his conquest secure."

(c) Before a qualifying clause introduced by a relative:—

"Peace at any price, which these orators seem to advocate, means war at any cost."

Note that a relative clause not necessary to the antecedent must be marked off by commas; thus:—

"Sailors, who are generally superstitious, say it is unlucky to embark on a Friday."

When the clause is an essential part of the antecedent only one comma is used:—

"The sailor who is not superstitious, will embark on any day." The adjective is followed by a comma because the nominative "sailor" is not immediately followed by the verb.

(d) When the nominative is a clause, a comma is often placed after it:—

"That he had persistently disregarded every warning and persevered in his reckless course, had not yet undermined his credit with his dupes."

(e) On both sides of an explanatory clause, without which the sentence would be verbally incomplete:—

"The shield was oblong, four feet in length and two in breadth, and was guarded by plates of brass."

"The coast, as far as we have been able to explore it, is rocky."

(f) After an address—"My son, give me thy heart."

(g) After the adverbs, *nay, finally, at least, etc.*—"Finally, let me sum up the argument."

(h) After a nominative, where the verb is understood—"To err is human; to forgive, divine."

The importance of accuracy in the use of the comma is illustrated by the different meanings which its insertion at one place or another may give to such sentences as the following:—

"You will be rich if you be industrious in a few years."

Lord George Sackville on trial for an alleged offence was accused of contempt of court for making an ambiguous pause in saying—"I stand here as a prisoner unfortunately that gentleman sits there as my judge."

In the latter instance, however, the ambiguity was perhaps intentional, and it is to be observed that where so much depends on a Point, there is commonly some fault in the construction of the sentence. As a rule, beware of relying on the punctuation to indicate the sense; it ought to appear from the words chosen and from their arrangement.

5. The Point of Interrogation (?) is used after questions put by the writer or questions reported directly:—"He said 'when do you mean to come back?'" It should not be used when the question is reported indirectly—"He asked me when I intended to return."

5. The Point of Exclamation (!) used after apostrophes or expressions of violent emotion, should rarely appear in ordinary prose. It is quite out of place in narrative or historical composition, *e.g.* :—

"Hurrah for Argyle at last! From this time forth he is openly a Covenantanter."

7. The same remark applies to the Parenthesis () or to the still more abrupt break indicated by the Dash (—). It has been fairly observed that these signs are often a mere cover for the writer's ignorance of the points; they are, however, admissible when a clause is obviously thrust in, having less connection with the rest of the sentence than would be indicated by commas, as:—

"He gained from heaven ('twas all he wished) a friend."

"Fame is the spur that the clear spirit doth raise

"(That last infirmity of noble mind)

"To scorn delights and live laborious days."

The following is a good example of the proper employment of the dash:

"At the last stage—What is its name? I have forgotten in seven and thirty years—there is an inn with a little green and trees before it."

A colon with a dash after it (:—) frequently introduces a quotation, especially when given as an instance or example.

8. A shorter line (-) called the Hyphen is used—

(a) To connect parts of a word divided at the end of a line. Remember to take care that you divide words according to the component parts of their derivation:—anti-dote, not an-tidote; con-sult, not cons-ult.

(b) To connect two or more nouns, adjectives, or particles, so as to form them into a single compound, as—"Dry-as-dust history;" "That never-to-be-forgotten day;" "That man-monkey." Such compounds should be used sparingly.

9. The marks (" ") should be employed wherever a quotation is made, or a speech directly reported. In dramatic dialogue, however, they are omitted, it being taken for granted that the words are in the mouths of imaginary speakers.

10. Contractions. The following signs are universally recognized :—

i. e. for *id est*, that is to say, to expand or explain.

e. g. for *exempli gratia*, for example's sake, to illustrate.

viz. for *videlicet*, to wit, to give an instance or enumerate the parts before referred to generally.

etc. for *et cetera*, and the rest, when all the parts necessary to illustrate the proposition have been named, and it would be waste of time to complete the catalogue.

^ (called caret) for insert. Cobbet calls this sign "the blunder mark."

' The apostrophe before the s of the possessive, and to mark contractions or elisions—

"Nought's got, all's spent

When our desire is had without content."

This latter use should be mainly confined to poetry.

11. Capitals are properly employed to mark :—

The first word of a sentence, or a line of verse.

The first word of a direct quotation.

The first personal pronoun, I, and the interjection, O.

Proper names, high titles, and names of the Deity.

Adjectives derived from proper nouns.

Very emphatic words, and names of personified objects.

12. Italics are admissible to emphasize. They are of frequent and hardly avoidable occurrence in a short conspectus like the present, to mark a portion of a sentence or paragraph to which special attention has to be called. But in ordinary writing, the fewer italics we use the better.

FORM OF A LETTER.

(Location and Date).

**Belleville, Ontario, Nov. 1st, 1908.*

(or 11/1/1908).

(Name and title of the person addressed.)

John Smith, Esq.,

(Address.) Picton, Ont.,

(Salutation.)

Dear Sir,—(or :—)

(Body of the Letter.)

We respectfully call your attention to our statement of account, rendered October 1st, a settlement of which, at your convenience, will greatly oblige.

(Complimentary Closing.)

- Yours truly,

(Signature.)

W. A. ROBLIN & CO.

If the title *Mr.*, *Messrs.* or *Mrs.* be used, the period must be affixed, to show that it is an abbreviation of the word for which it stands. *Mess.* should never be used for *Messrs.* It is in bad taste. It is but an abbreviation of an abbreviation.

If you cannot afford to write *Gentlemen* or *Sir* in full, omit it altogether. Never write *Gent.* nor *Gents.*, nor *Sr.* for *Sir*. Never write *Dr.* for *Dear* before *Sir*.

FOLDING LETTERS.

It is important to fold letters correctly and neatly; carelessness in this matter indicates either want of training and experience, or slovenly habits, and creates an unfavorable impression of the writer in the mind of his correspondent. The manner of folding the letter is the following:—

First fold the sheet up from you to about $\frac{1}{2}$ an inch from the top, taking care to get the edges exactly even; next fold from the right inwards about $\frac{1}{3}$, and then from the left inwards a little less than $\frac{1}{3}$. The letter will now have three folds, and is ready to slip into the envelope without any turning.

Filing Letters and Documents.

There are many ingenious styles of files and cabinets now provided, and largely used in offices for filing letters and papers, but a large number of business men still follow the old method of filing in monthly packages.

Letters should be preserved in some form, and in such a way as to be available in the future without delay. After a letter has been replied to (if important, the reply should be copied in the copying press letter book), it should then be backed up and filed as follows:

Flatten the sheet out; fold $\frac{1}{3}$ of it up and the balance over once. The letter will now have two folds (each the full length of the sheet) and present $\frac{1}{3}$ of the original size. On one end write the name of the writer and his location,

^{*} When writing to a place that is in some other province, state or country than that from which you write, NEVER OMIT to write your province or state after your town or city. For example there are many Bellevilles: how could a man, say in New York, receiving a letter written from Belleville, Ontario, determine what Belleville, if you had not added the province?

and the date of the letter. Keep the letters, thus backed up, in pigeon holes or a box, till the end of a month, then arrange them on a table according to dates, and collect them in a package, the dates running in consecutive order from the first of the month to the last. On a sheet of paper exactly the size of the package, write the month and year about the centre, and place it on top of the package, and either tie tape round each end or use rubber bands.

Place this package on top of the last one in the desk, pigeon hole or cabinet.

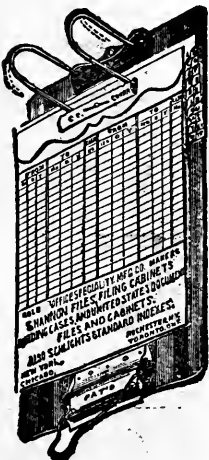
Example of letter filed :

J. M. PALMER,
SACKVILLE, N. B.
Jan. 5th, 1908.

Following are some examples of the modern methods of filing papers, and of labor-saving office devices.

The Shannon Letter and Invoice File recommends itself to all lovers of system and neatness. On it papers are filed in a compact and orderly manner, and can be instantly referred to without removal from the file.

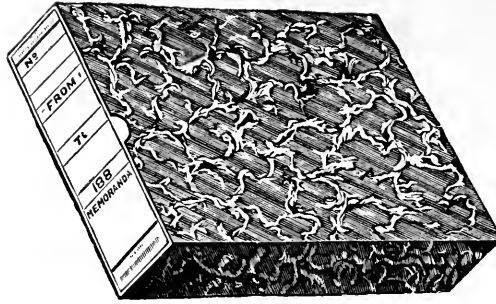
Papers are held firmly in place, are filed between index leaves which serve as guides in reference, and letters or bills from one individual or firm can be kept together without interfering in the least with the arrangement of the other papers. It is an impossibility for papers once filed to become lost or misplaced, and reference to any can be had instantly. When files are filled, the papers are transferred to the transfer cases, the arrangement remaining unchanged, and reference to papers in the transfer case can be had as readily as in the file.



The Shannon File.

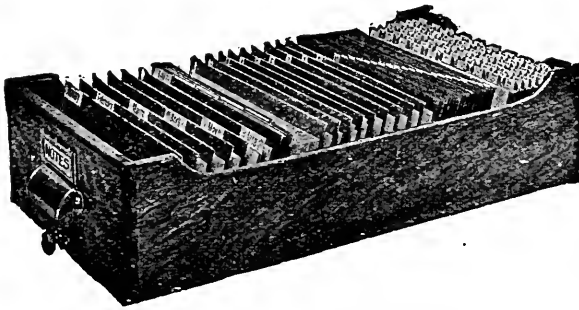


The Cabinet (small size) containing the Files.



The Transfer Case.

For indexing Accounts, Signatures, Names and Addresses, Correspondence, Stock Records, Catalogues and Price Lists, Insurance Policies, Renewals, Loans, &c., &c. Can be used to advantage in any business.



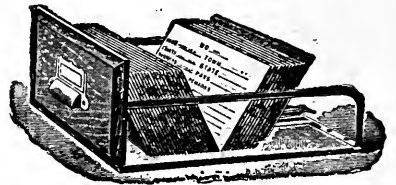
Card Record and Index Tray.



Cabinet for Card Index Tray.

Document Files.

In the Document File, papers are pressed compactly together into half the space they would otherwise occupy, are kept free from dust, and access to any desired paper can be had instantly and without disturbing the others. The papers being filed in an upright position, it is but the work of a moment to glance over the titles and select any paper which may be needed.



Rapid Roller Letter Copier.



Insert your letter, turn the crank, and the copy is made.

There are many other devices for methodical arrangement of documents and for saving labor in offices. The Office Specialty Mfg. Co., Limited, of Toronto, will furnish, on application, their illustrated catalogues.

GENERAL REMARKS ON LETTER WRITING.

MARGIN.—On the left of your page there should be a margin of three-quarters of an inch, or a little more, with which the writing is not to interfere.

LOCATION AND DATE.—The location and date of a letter is one of the most important parts. The legal bearing of a letter may be destroyed by the omission of this essential part; you cannot be too careful in stating it correctly and fully. In writing from any place, care should be taken to mention the province or state, and sometimes the county, as there may be more than one post office of the same name.

The order in which the words of the location and date are written varies somewhat. For instance, English letter writers generally place the day before the month, as: 1st Jan., instead of Jan. 1st.

The former is the more natural arrangement, but custom in Canada and the United States generally favors the latter.

Another way of dating is to express the month by number, and in this the English system and the system on this continent differ. 2-11-07 would mean in an English letter, second day of the eleventh month of 1907; in an American letter it would mean the second month and the eleventh day.

NAME AND TITLE.—1. Names. The first name of a person as: William, Robert, Jane, Mary, etc., is called the **CHRISTIAN** name; while the latter, as: Brown, Smith, Wilson, etc., is called the **SURNAME**.

In addressing letters to persons, it is always best to use the same form as that adopted in their own signature, with the addition of the proper title.

When father and son have both the same name, Robert Jones, for instance, the father is addressed as Robert Jones, Sr., or Senior, meaning the older, and the son as Robert Jones, Jr., or Junior, meaning the younger.

Titles may be divided into two classes, viz., Titles of respect, as: Mrs., Miss, Mr., Esq., etc., and professional titles, as: Dr., Rev., LL.D.,* etc.

As a general rule, two titles of the same class should not be applied to the same name. "Mr. William Brown, Esq." should be either "Mr. William Brown" or "Wm. Brown, Esq." If the profession of the person is known to the writer, the professional title alone should be used. Where there are two or more professional titles applicable to the same individual, the highest should be used in preference to the other.

Custom places mere titles of respect (except Esq.) **BEFORE** the name, which is not uniform in the application of professional titles, some preceding and others following it. For instance, Dr., Rev., Hon., and military titles should **PRECEDE** the name, while M.D., M.A., LL.D., F.C.A., etc., should follow it. It is considered more respectful to write titles of high rank in full than to abbreviate them.

ADDRESS.—The address of the person to whom you are writing should always be upon the sheet containing the body of the letter, so that, in case the letter become separated from the envelope, it may not be lost for want of direction. Custom has of late favored placing both the name and address at the head of the letter instead of at the close, as formerly. This arrangement

* LL.D. is plural, meaning doctor of laws; just as MSS. is plural, meaning manuscripts.

appears more sensible, as in case it is received by the wrong person through mistake, the error can be discovered before reading the letter through. This plan also facilitates addressing the envelope when several letters are written at the same time. If a second sheet is used, place the initials of the person or firm you are addressing on the upper left hand corner, No. 2 in the centre, and on the upper right hand corner repeat the date.

COMPLIMENTARY ADDRESSES.—In writing to a gentleman with whom you have little or no acquaintance, the address should be simply "Sir;" if you are on familiar terms "Dear Sir" may be used. "My Dear Sir" implies still greater intimacy.

In addressing a lady not a relative, "Madam" or "Dear Madam" may be used according to the degree of intimacy. Unmarried ladies are sometimes addressed as "Miss," "Dear Miss," "Dear Mary," and so forth, according to the degree of intimacy.

In addressing a firm or association of individuals, comprising a Committee, Board of Trustees, or other body, "Gentlemen," or "Ladies," should be used according to the sex of those comprising it.

You may address a man, who has a right to the title, as, Captain John Smith, Major Robert Brown, Prof. John Mowat, etc., but it would display excessively bad taste and ignorance for a man to sign his name with the title in front. The proper way is: John Smith, Captain; Robert Brown, Major; John Mowat, Prof. of Mathematics, University of Toronto. A woman should never sign, for example, Mrs. John Brown, but Mary Brown, her own name.

BODY OF THE LETTER.—The body of the letter should be made up of paragraphs. Every change of subject should be indicated by commencing a new paragraph to the left of the middle of the sheet, and about an inch farther to the right than the other lines. The opening paragraph should always be short, and unfold, if possible, the object of the letter. If it is a reply it should announce the receipt and date of the letter to which it is an answer, and should give a brief statement of its subject matter, that all cause of misapprehension may be explained or removed, thus :—

"Your favor of the 1st inst., relating to the sale of your books in this city, is received," &c.

If the letter is one of business or inquiry, dispose of the first; and unless on familiar terms, never introduce other matters. If the letter is to be short it should be commenced so as to leave an equal space above and below.

No error is more frequent among beginners than the use of the small *i* instead of the capital *I* in writing of themselves. This pronoun occurs frequently in letter-writing, and such a display of ignorance should be carefully avoided.

If a letter is one from an individual, the pronouns used in referring to the writer should be in the *singular* number; if a letter is one from a firm or company, the pronouns used in referring to it should be in the *plural* number.

Proximo (or prox.) means the next month; Ultimo (or ult.) means the past month; Instant (or inst.) the present month.

The first letter of every sentence, title, proper name, or adjective derived from it; every name applied to the deity; every quotation of the words of another; every line in poetry; the words *I*, *O* and *Oh*, the days of the week, months of the year, and the principal words in rules and headings, should begin with a capital letter.

The names of the seasons should not be commenced with a capital letter.

The tendency among beginners is to use too many capitals, especially if the writer prides himself on his dexterity in making them. Except in one of the cases above enumerated, or when in doubt, use a small letter.

Do not begin a sentence till its wording is clearly fixed in the mind. Never add clause after clause, loosely linked on with "ands" and "buts," till you are led to say what you do not mean, instead of having expressed the thoughts intended.

COMPLIMENTARY CLOSING.—The complimentary closing, like the complimentary address, usually consists of a phrase more or less formal in its character, regulated by the degree of familiarity between the parties. It generally consists of some such expressions as: "Yours truly," "Yours respectfully," "Your sincere friend," "Yours faithfully," &c.

The closing sentence of the body of the letter should be framed so as to connect smoothly with the complimentary closing, as: Hoping to hear from you soon,

I am,

Yours faithfully,

JOHN C. WRIGHT.

or, if a firm,

We are,

Yours faithfully,

JOHN C. WRIGHT & Co.

or, if a joint stock company,

We are,

Yours faithfully,

THE BAY OF QUINTE NAVIGATION Co., Limited

By I. L. MOORE, Manager.

Never use the word Messrs. in connection with signing a letter for a firm or company. The word is used only when you are addressing a letter to a firm or company.

HOW TO ADDRESS AN ENVELOPE.

		STAMP.
<i>Henry A. Gibson, Esq.,</i>		
<i>Hamilton,</i>		
<i>P. O. Box 547.</i>	<i>Ont.</i>	

An envelope containing a letter of introduction should be unsealed, and in addition to the address, write on the lower left hand corner, "Introducing Mr. ———."

A Series of Business Letters for Study, Suggestion and Practice.

■ For convenience in shorthand dictation the number of words in the body of each letter is given.

ORDER FOR GOODS.

Ottawa, Ont., May 6, 1908.

Messrs. Robert Lewis & Son, Limited,
King Street East,
Toronto, Ont.

Gentlemen,—

Please forward to my address by G. T. R. the following goods:—

6 doz. Double Bitted Axes,
2 “ “Maple Leaf” Saws,
2 Kegs 3 inch Wire Nails,
5 “ 6 “ “ “
10 “ Belleville Horse Shoes.

You may draw a draft upon me at three days' sight for the amount of the invoice, less 3% cash discount.

Your prompt attention to this order is respectfully requested.

Yours faithfully,

(95)

G. J. KERR.

REPLY TO ABOVE.

Toronto, Ont., May 8, 1908.

Mr. G. J. Kerr,
Ottawa, Ont.

Dear Sir,—

Enclosed herewith we beg to hand you the invoice and bill of lading of the goods shipped to you to-day in accordance with your esteemed order of the 6th instant. As requested, we have drawn a draft upon you at three days' sight for the amount of the invoice, less 3% cash discount.

Thanking you for past favors, and hoping for a continuance of your esteemed orders, we are,

Yours sincerely,

ROBERT LEWIS & SON, Limited,
per R. T. Ross, Manager.

(99) 2 Enclosures.

A NOTE NEARLY OUTLAWED.

Toronto, Ont., Sept. 4th, 1908.

Mr. T. C. Wilson,
Cobourg.

Dear Sir,—

Your note in our favor for \$50 is five years overdue to-day. With interest it now amounts to \$65. We have written you several times requesting payment, either in full or in part. We do so again, and this time must urge the matter. We shall regard a partial payment as a disposition on your part to make an effort towards payment in full; but if no attention is paid to this letter, we shall hand the note to an attorney with instructions to sue for the amount. Kindly reply.

Yours faithfully,

(92)

ROBERT WALLACE & CO.

NOTE.—There is a double object in writing this letter. We hope for a remittance, at least in part, the receipt of which will prevent the balance from being outlawed for six years from the date of the partial payment. Failing to receive a remittance, we hope for a reply, which will be a written acknowledgment of the debt and will renew it for six years. See Limitations page 404.

REPLY TO ABOVE.

Cobourg, Ont., Sept. 9th, 1908.

Messrs. Robert Wallace & Co.,
Toronto.

Gentlemen,—

I am in receipt of your favor of the 4th inst., complaining of the non-payment of the note for \$50 you hold against me. I regret to say that I am not yet in a position to pay the note, nor can I make a partial payment on it just now. It is my intention to pay it in full, with interest, next month,

Trusting that this will be satisfactory, I am.

Yours truly,

(73)

T. C. WILSON.

NOTE.—This reply acknowledges the debt in writing, and renews it for another six years.

CONFIDENTIAL LETTER TO A PRINCIPAL CREDITOR.

Brampton, Ont., June 24th, 1908.

Messrs. Robert Baylis & Co.,
Montreal, Que.

Gentlemen,—

I wish to take you into my confidence in regard to my financial affairs. I find that there is an accumulation of obligations falling due in July, which it will be impossible for me to retire. I have tried the Bank of Commerce, with which I have a line of discount, but the manager, after referring the matter to the head office in Toronto, has refused to grant me any more accommodation. I have therefore to appeal to you as my largest creditor. You will see by the enclosed Balance Sheet that my affairs are sound, and that the only trouble is the impossibility at present of realizing upon assets. There are only two creditors who are likely to give me trouble, and the amounts owing to them are comparatively small. I would suggest that you settle with them; the whole amount does not exceed \$1000.00, and I will give you extension notes, with approved indorsers, at six, nine and twelve months respectively for the sum of my indebtedness to you. The notes may, or may not, bear interest, as you may require.

I have not been obliged before in my business career of twenty-five years to ask the indulgence of my creditors, and I am satisfied that if you will oblige me, as I suggest, I shall be safely tided over a difficult period, and you will be amply secured.

Kindly let me hear from you at as early a date as possible.

Yours very truly,

(244)

J. B. GRAHAM.

REGARDING WHEAT FOR SEED.

Edmonton, Alta., September 9th, 1908.

Messrs. T. B. Morris & Co.,
Amherst, N. S.

Gentlemen,—

I am in receipt of your favor of the 4th inst., inquiring about wheat for seed.

I am pleased to state that I have the varieties you mention in stock and can supply them by the car load f. o. b.* here at the following prices:—

Manitoba Hard	\$1.00	per bushel
White Russian	.91	" "
Red Fife	.90	" "

My terms are, 60 days credit or 2½% off for spot cash.

Should you not require a car load of each variety, I will supply any two kinds in one car without extra charge.

Your esteemed orders shall receive prompt attention.

Yours truly,

(120)

A. C. CHAPMAN.

* f. o. b., free on board; f. o. c., free on cars. The offer in above letter is to put the wheat on the cars at Edmonton; f. o. b. Amherst, N. S., would be an offer to deliver the wheat on the cars at that point.

LETTER OF AUTHORITY TO SIGN BUSINESS PAPER.

Belleville, Ont., June 1, 1908.

Sir:—

I have this day authorized, by Power of Attorney, my Accountant, Mr. James B. West, to sign my name to Promissory Notes, Cheques and Drafts; also, in like manner, to use my signature in accepting Orders, Drafts and Bills of Exchange; also to indorse Promissory Notes, Cheques, Drafts and Bills of Exchange.

Very truly yours,

JOHN A. MILLER.

To the

Manager of the Bank of Montreal,
(52) Belleville, Ont.

NOTE.—See Power of Attorney at Page 443.

REMITTANCE IN SETTLEMENT OF ACCOUNT.

Winnipeg, Man., Sept. 15, 1908.

Messrs. W. J. Dawson & Co.,
Toronto, Ont.

Gentlemen,—

We enclose herewith our cheque on the Standard Bank for \$437.47, marked payable at par in Toronto, in settlement of your account, as per statement below:—

Cr.					
By Invoice of September 1st				340	60
“ “ “ “ 10th				120	90
Dr.					
To Credit Note of September 7th		7	80		
“ Allowance on Freight		2	70		
“ Cash Discount, 3%		13	53		
“ Cheque herewith		437	47		
		\$461	50	\$461	50

Please acknowledge the receipt of the remittance, and own the correctness of the account as rendered above.

Yours faithfully,

(133) Enclosure.

R. W. NEILL & SON.

ACKNOWLEDGING RECEIPT OF REMITTANCE.

Toronto, Ont., Sept. 18, 1908.

Messrs. R. W. Neill & Son,
Winnipeg, Man.

Gentlemen,—

We have the pleasure to acknowledge the receipt of your favor of the 15th, enclosing your cheque on the Standard Bank for \$437.47, marked payable at par here, in settlement of account as stated by you, which we find correct.

A member of our firm will be in Winnipeg next week, when he will have the pleasure of thanking you personally for past favors, and of soliciting a continuance of your valued orders.

Yours truly,

(100)

W. J. DAWSON & CO.

ACKNOWLEDGING RECEIPT OF CONSIGNMENT OF GOODS.

St. John, N.B., Nov. 1, 1908.

Messrs. John Jones & Co.,
Napanea, Ont.

Gentlemen,—

We have this day received per G. T. R. freight, 500 bbls. Flour, in good order, consigned to us to be sold for your account and risk, as per invoice of the 15th ult. As prices are rising, we think it advisable not to push the Flour upon the market at present, but we shall endeavor to seize the most favorable opportunity for effecting sales to advantage.

With thanks, we are,

Yours faithfully,

(66)

THOMAS HARVEY & CO.

REFERRING TO A DEED IN ESCROW.

James C. Simpson, Esq.,
Galt, Ont.

Belleville, Ont., Nov. 25th, 1908.

Dear Sir,—

Your favor of the 24th inst. is received. The deed of the land sold to you last week is ready for delivery, but I must decline to send it on until you have carried out your agreement, to allow the present tenant to remain in the building for another year, and have given him a lease for that time. As you have paid the purchase money, I have delivered the deed in escrow to Mr. John Williams, Clerk of the Court, who will forward it to you on receipt of the lease to Mr. Brown.

Yours faithfully,

(96)

W. B. ROBINSON.

(NOTE.—See page 435.)

ANOTHER ROUTE FOR FREIGHT TO THE WEST INDIES.

Agent of the Atlas Line of Steamers,
New York.

Belleville, Ont., Sept. 24th, 1908.

Dear Sir,—

After communication with the agent of the Canadian Government in the West Indies, and the passing of considerable correspondence with various commission houses in several of the West India Islands, I have concluded that it is worth my while to make an attempt to do some business there. I am a miller and am also engaged in other lines of produce, namely, the packing of meats, fruits, vegetables, etc.

This communication is for the purpose of ascertaining what facilities your line will afford me in making shipments by the steamers sailing either from New York or Boston. I find that I can secure bonded privileges over the American railways that run in connection with the Grand Trunk, so that there will be no difficulty in communicating with the Custom House. I request that you will kindly write me without delay and give me the rates of freight on such lines of goods as I have named, in various quantities, say on flour 500 to 2,000 bbls., meats from 50 to 100 cases. I would prefer to secure through Bills of Lading from the Grand Trunk in connection with your steamers, but as you would be more likely to succeed in making such arrangements, I now suggest that to you.

I am, yours faithfully,

(208)

ALEX. C. BAKER.

RESPECTING CLAIMS ON AN INSOLVENT ESTATE.

Messrs. Edwards, Morgan & Co.,
Public Accountants and Assignees,
Toronto.

Belleville, Ont., Jan. 30th, 1908.

Gentlemen,—

I beg to acknowledge the receipt of your notifications of the insolvency of John Smith & Co., of Woodstock, and of the assignment of their estate to you for the benefit of their creditors. As requested, I beg to enclose herewith detailed statements of my ordinary claim on current account, and also the particulars of a preferential claim I have, amounting to \$500, for which I hold a chattel mortgage as security.

Will you kindly let me know, as soon as you can form an opinion of the matter, how long it is likely to be before the assets of the insolvent firm will be distributed among the creditors?

I am, yours faithfully,

(109)

D. E. HENRY.

ADVERTISING STOCK OF GOODS FOR SALE.

Tenders are hereby invited for the purchase of the stock in trade, the shop furniture and the book debts of John Doe, of the City of Belleville, insolvent : The stock is composed of the following (as given in detail in the inventory) :—

Dry Goods.....	\$7890 00
Carpets and House Furnishings.....	2310 00
Millinery.....	1500 00
Shop Furniture.....	860 00
Book Debts.....	1720 00

Tenders are to be addressed to the undersigned, and will be received up to noon of the 18th day of March, 1908. The highest or any tender not necessarily accepted. Parties desirous to purchase, can obtain access to the store and to the inventory, and can also see the schedule of book debts by making application to

W. N. PONTON,
Assignee.

(111) Dated at Belleville, Ontario,
the 25th day of February, 1908.

A TENDER FOR ABOVE.

Belleville, Ont., March 10th, 1908.

W. N. Ponton, Esq.,
Belleville, Ont.

Dear Sir,—

I hereby make an offer for the assets of the estate of John Doe, as advertised by you in the Belleville papers: I will give fifty cents on the dollar for the dry goods, carpets and house furnishings; twenty-five cents on the dollar for the millinery and shop furniture; and forty cents on the dollar for the book debts. I will pay down one-half in cash on obtaining possession, and give my notes at three and six months, without indorsement, for the balance.

Yours faithfully,
(85) THOMAS ROE.

ASKING FOR A QUOTATION ON CHEESE BOXES.

Cornwall, Ont., June 19, 1908.

John G. Bell, Esq.,
Morrisburg, Ont.

Dear Sir,—

Your letter of the 18th, making inquiry regarding cheese boxes, is received.

I saw the manager of the Lumber Cutting Co. to-day, and obtained from him the following quotations:—"Lots of one hundred boxes \$11.50 per hundred delivered f. o. b. here; and for larger orders, up to 500 boxes, a discount of 5% is allowed from the price quoted." All goods sold are subject to a draft at three days' sight with the bill of lading attached.

I am,
Yours faithfully,
(100) JOSEPH METCALFE.

FROM A COMMISSION HOUSE IN BRAZIL.

Belem, Para, U. S. of Brazil, Aug. 21, 1908.

Mr. Honorato Oliveira,
Igarape-Miry, Para.

Dear Sir,—

Replying to your favor of the 19th inst., we beg to say that the commission business is the most important in this city. The commission merchants here accept any kind of merchandise which the merchants of the smaller towns send to them; their charges are always changeable, and depend not only on the season, but also on the kind of merchandise.

About ourselves, we always charge 5% commission and a small sum for storage, etc., but we must notify you that we are very particular about the weight of the consignments of rubber, so that we may not be responsible for shrinkage in the weight of that merchandise; the loss in that connection is borne by the shippers only.

We shall be pleased to send you any more information that you may desire.

We are,
Yours faithfully,
(156) RÔCHA, SOBRINHO & CO.

NOTIFYING THE MAKER OF THE MATURITY OF HIS NOTE.

Oswego, N.Y., June 5th, 1908.

Mr. A. W. Fell,
Ox Bow, N.Y.

Dear Sir,—

We beg to remind you that your note in our favor for \$500, drawn at four months from February 15th, 1908, will be due on June 15th, at the First National Bank, Oswego, and we respectfully request that you will make provision for paying it.

We are, yours truly,

(45)

JOHN BOGART & SON.

NOTE.—There are no days of grace on notes and bills in New York State.

PROPOSAL TO FORM A JOINT STOCK COMPANY.

Belleville, Ont., Oct. 25th, 1908.

John S. Porter, Esq.,
Toronto, Ont.

Dear Sir,—

We purpose converting our business into a Limited Joint Stock Company, under Dominion Letters Patent. The Capital Stock will be \$50,000, divided into shares of \$100 each. Our plant and manufactured goods amount to \$25,000, and we propose to turn these over to the company, and accept payment in paid up shares. The balance of the stock is for sale at par, and we would be glad to have your subscription, say for ten shares.

Yours faithfully,

(74)

G. & R. PRINCE.

A YOUNG MAN GOING WEST.

Cobourg, Ont., March 31st, 1908.

John Henderson, Esq.,
Vancouver, B.C.

Dear Mr. Henderson,—

You were kind enough to say in a letter received from you recently, that if I thought of going out West at any time, you would be glad to assist me by your advice and influence to secure a position, and I desire now to avail myself of your kindness. I have a thorough knowledge of bookkeeping and accounts, having completed the course at Ontario Business College, Belleville, under practical and experienced accountants, and I should like employment in that line.

In the course of a few weeks I shall have the pleasure of calling upon you, and presenting my testimonials. Thanking you in anticipation,

I am,

Yours sincerely,

(106)

W. P. KILGORE.

APPLICATION FOR A LINE OF DISCOUNT.

Toronto, Ont., Jan. 10th, 1908.

B. E. Walker, Esq.,
General Manager Bank of Commerce,
Toronto.

Dear Sir,—

I desire to secure a line of discount at the Bank of Commerce, not to exceed ten thousand dollars, and respectfully ask your consideration of the matter. The paper I shall offer will be the notes and acceptances of my customers, none of it extending beyond ninety days. I enclose a copy of my last balance sheet, showing my profits for last year and my present capital, and I shall be pleased to give you any further information you may desire.

Yours respectfully,

(81)

W. B. ROBINSON.

REQUESTING PERMISSION TO DRAW A DRAFT.

Belleville, Ont., May 5th, 1908.

Messrs. James Grant & Co.,
Montreal.

Gentlemen,—

My note in your favor for \$500 will be due at the Bank of Montreal here on the 9th inst., and I shall not be able to raise more than \$300 towards paying it. Kindly permit me to draw upon you at sight for \$200, and for this amount, with interest and cost of collection added, please draw upon me at ten days' sight.

Yours respectfully,

WILLIAM BROWN.

(66)

REPLY.

Montreal, May 6th, 1908.

Mr. William Brown,
Belleville, Ont.

Dear Sir,—

Your letter of the 5th is received, and we hereby authorize you to draw upon us at sight for \$200 to assist you to pay your note in our favor, due on the 9th inst. We shall honor the draft, and, as requested, draw back upon you for the \$200, adding interest and the cost of collection.

Yours faithfully,

JAMES GRANT & CO.

(57)

APPLICATION FOR A SITUATION AS STENOGRAPHER AND
TYPEWRITER.

Montreal, September 11, 1908.

Messrs. The Earle Machinery Co., Limited,
Montreal.

Gentlemen,—

I saw your advertisement in to-day's "Star" for a Stenographer who has also a knowledge of double entry bookkeeping, and I beg hereby to make application for the position.

I have had a comprehensive training in a first class Business College, conducted by practical accountants and experienced stenographers, where the tests are thorough.

I enclose copies of testimonials. Should I succeed in obtaining the position, I shall endeavor to secure your confidence by devotion to my duties.

I am,

Yours respectfully,

LUELLA BECKSTED.

(100)

NOTICE TO DIRECTORS TO ATTEND A MEETING.

Toronto, Ont., Sept. 19th, 1908.

R. J. Patterson, Esq.,
City.

Dear Sir,—

You are hereby notified to attend a special meeting of the directors of the Ontario Transportation Company, Limited, to be held at the office of the Company, 91 King Street, on Friday, the 23rd inst., at 3 o'clock p.m., for the purpose of considering the question of issuing new stock to the extent of one hundred thousand dollars.

I am,

Your obedient servant,

H. W. EDDIS,

Secretary.

(59)

REQUESTING RATES FOR ADVERTISING.

Belleville, Ont., Aug. 9th, 1908.

Messrs. The Mail Printing Co., Limited,
Toronto.

Gentlemen,—

Please quote your lowest rates for advertising in the Daily and Weekly Mail. We purpose, if your rates are satisfactory, to occupy 40 lines in the Daily e. o. d. for four months, and the same space in the Weekly for six months.

You might also please give us your quotation for one thousand lines to be used at our option at any time within a year.

Yours faithfully,

(67)

ROBINSON & JOHNSON.

REPLY TO A COMPLAINT REGARDING QUALITY OF GOODS.

Toronto, Ont., July 19th, 1908.

Messrs. J. Brown & Co.,
Hamilton.

Gentlemen,—

We are in receipt of your favor of the 16th inst., complaining that the quality of the goods shipped you last week was not up to the required standard. We are surprised at this complaint, as the mills are running in a more satisfactory way than they had been prior to recent alterations, and instead of fault-finding, we have had word from many customers that they were well satisfied with the goods they have recently received. A member of our firm will be in Hamilton next week, and, after he has examined the goods, he will act upon his own judgment in the matter of reduction or return. We feel assured that he will be able to satisfy you.

We remain,

Yours respectfully,

(120)

THOMAS JONES & CO.

ANSWER TO ABOVE.

Hamilton, Ont., July 20th, 1908.

Messrs. Thos. Jones & Co.,
Toronto.

Gentlemen,—

We beg to acknowledge the receipt of your favor of the 19th inst. We would say in reply that we did not intend to write you in a complaining spirit, as we can easily understand that a run of paper will vary somewhat in quality and in weight. The fault-finding was not so much our own as that of a city customer for whom we had just filled an order. After receiving your letter, we gave the goods a thorough examination, and now feel satisfied that there was really no ground for complaint. We shall, of course, retain the goods, and we beg to apologize for any trouble or annoyance caused you through our former communication.

We hope to be able to place a larger order with you before the end of the month.

We remain,

Yours respectfully,

(135)

J. BROWN & CO.

RESPECTING A NEW LEASE.

Belleville, Ont., May 10, 1908.

Mr. John Price,
Montreal, Que.

Dear Sir,—

The lease, which I hold from you of the building now in my occupation in this city, will expire on the first of September of this year.

In order that we may have, on both sides, time for action in case we do not agree upon a renewal of the lease, I now desire to bring the matter to your attention. I do not complain of the amount of the rent, but I have some fault to find in your neglect to carry out the suggestions I have made with respect to necessary repairs. My demands have been

Mr. J. P.

No. 2.

extremely reasonable, and, in fairness to an old and prompt paying tenant, should have been complied with when they were made.

I am willing to take a new lease for another five years, but before signing it I must insist upon a modern heating apparatus being placed in the building, either steam or hot water as you may decide. I will not remain longer in the building if the old mode of heating by stoves is to be continued. There are also some minor repairs to be made, which are clearly the business of the landlord.

I am willing to wait for a reasonable time for an answer to this letter, not exceeding one month. If at the end of that time you have not given me a written promise to carry out the improvements I have mentioned, I shall take steps to secure another store for my business.

I am,

Yours faithfully,

G. A. McCLATCHIE.

(275)

A Contract is made in the Four Letters Which Follow :

Toronto, Ont., Canada, Oct. 25th, 1908.

Messrs. J. C. Wells & Co.,
New York.

Gentlemen,—

I have been holding 20,000 bushels of No. 1 Canadian Barley, hoping for a rise in price, but I have concluded, in view of the present condition of the market, to sell for any reasonable offer. Are you disposed to buy that quantity? If you are, I shall be glad to have an offer.

Yours faithfully,

G. W. JOHNSON.

(54)

New York, Oct. 28th, 1908.

G. W. Johnson, Esq.,
Toronto, Ont.

Dear Sir,—

Your favor of the 25th is received. In reply we beg to say that we have a customer for 20,000 bushels No. 1 Canadian Barley at a price. We shall wire him to-day, and on receipt of his answer will probably be in a position to make an offer. At any rate we shall write you again in a day or two.

Yours truly,

J. C. WELLS & CO.

(63)

New York, Oct. 31st, 1908.

G. W. Johnson, Esq.,
Toronto, Ont.

Dear Sir,—

Referring to your letter of the 25th inst., and our reply of the 28th, we hereby make you an offer of eighty-two and $\frac{3}{4}$ cents (.82 $\frac{3}{4}$ c.) a bushel, for 20,000 bushels of No. 1 Canadian Barley, delivered f. o. b. New York Central cars in New York. If the offer should be accepted, shipment may be made at once, and you may draw at sight for the amount, attaching the bill of lading to the draft.

Yours truly,

J. C. WELLS & CO.

(92)

Toronto, Ont., Nov. 3rd, 1908.

Messrs. J. C. Wells & Co.,
New York.

Gentlemen,—

Your favor of the 31st ult. is received, and your offer of eighty-two and $\frac{3}{4}$ cents (.82 $\frac{3}{4}$ c.) a bushel for 20,000 bushels No. 1 Canadian Barley, delivered f. o. b. N. Y. C. cars in New York, is hereby accepted. In accordance with the offer and acceptance, I have shipped that quantity to the order of the agent of the Canadian Bank of Commerce to-day, and have drawn upon you at sight, as requested, for the amount, and have attached the bill of lading* to the draft.

Yours faithfully,

G. W. JOHNSON.

(88)

* Read "Bills of Lading or Shipping Bills" at pages 432 to 434.

REQUEST FOR THE RENEWAL OF A NOTE.

Sherbrooke, Que., Sept. 18th, 1908.

Messrs. Robert Lynch & Co.,
Montreal.

Gentlemen,—

I regret that I am obliged to request you to renew for one month my note in your favor for \$600, due at the Banque du Peuple, Montreal, on the 24 inst. If you will kindly consent, and send a new note for the amount of the old one and interest on the renewal, I shall sign and return it before the 24th.

Yours faithfully,

L. R. HARRIS.

(63)

*REQUEST FOR THE EXTENSION OF A NOTE.

Port Hope, Ont., July 9th, 1908.

Messrs. Robert Duncan & Co.,
Toronto.

Gentlemen,—

Will you kindly retire my note for \$360, drawn in your favor, and payable at the Bank of Commerce, Toronto, on the 13th instant? I have had an unexpected call for funds and shall be short on that date. If you will kindly hold the note for ten days, I shall remit the amount; or, if you prefer, you may draw upon me at ten days' date on the 13th, and I shall duly honor the draft.

Yours respectfully,

A. C. BAKER.

(77)

REGARDING THE SALE OF DEBENTURES.

Belleville, Ont., May 10, 1900.

The Treasurer of the City of Hamilton,
Hamilton, Ont.

Dear Sir,—

I observed in the "Toronto Globe" of a recent issue an account of a sale of debentures by your City at an exceptionally good rate.

The Corporation of Belleville purpose issuing debentures to the amount of \$100,000, and with the object of securing information from various municipalities, which have recently disposed of debentures, I write to you.

I observed that your debentures were issued bearing interest at 4% and the time thirty years, and that you were able to obtain for them a premium of 3%. My own impression is that the best way for a small municipality is to issue the debentures bearing interest at 4% and obtain a premium, rather than to issue with interest at 3% and sell below par.

Kindly let me hear from you at your earliest opportunity.

I am,

Yours faithfully,

J. P. THOMPSON,

City Treasurer, Belleville, Ont.

(160)

QUOTING RATE FOR ADVERTISING.

Toronto, Ont., Oct. 29th, 1908.

Mr. John S. Gill,
Oshawa.

Dear Sir,—

In reply to your favor of the 28th, we beg to say that you can have one thousand lines in the "Daily Tribune," to be used at your option at any time within a year, at the rate of seven cents a line. We shall make a draft at sight for the space used at the end of each month.

Yours faithfully,

THE TRIBUNE PRINTING CO., Limited,

per John Brown,
Manager.

(60)

*There would be no risk in Robert Duncan & Co. holding the above note, as there is no indorser liable to them upon it. If there was an indorser upon it, then they could only be safe by giving him legal notice of dishonor. See Protests at page 419 and 420.

TENDERS FOR DEBENTURES.

Tenders are hereby invited for the purchase of Debentures of the City of Belleville, Ontario, to the amount of Seventy-five Thousand Dollars.

These Debentures are issued under the authority of By-law No. 169, of the said City of Belleville, and are to run for the period of twenty years from the first day of May, 1899, with interest coupons attached, payable half-yearly at the rate of four per centum per annum.

Due provision will be made for the redemption of the said Debentures by the levy and investment of a Sinking Fund yearly.

The said Debentures are issued in sums of five hundred dollars each.

Tenders will be received up to noon of the fifth day of June, 1899, and are to be addressed to the undersigned City Clerk. The highest or any tender not necessarily accepted.

Dated at Belleville, Ont., May 20th, 1899.

J. W. JOHNSON,
Mayor,

D. B. ROBERTSON,
City Clerk.

(139)

IN QUEST OF A COMMISSION FIRM IN IRELAND.

Brockville, Ontario, Canada, June 2, 1908.

Messrs. H. & R. Johnson,
Belfast, Ireland.

Gentlemen,—

On behalf of the Glencoe Cheese Company of this county, we desire to receive some information. You are aware of the reputation which the cheese produced by this Company has secured in the British market. The Company, owing to the success it has met in the manufacture of Cheese, has recently increased its Capital Stock, with the intention of going largely into the manufacture of Butter, which will be made of the highest standard. We have hitherto sold through local agents to British houses, but we are of the opinion that better results could be obtained by direct consignment to first-class houses in Belfast or Liverpool, like your own. If you will undertake to handle consignments (all that we make, if you wish) of both Cheese and Butter, we shall at once arrange for cold storage shipments by Grand Trunk Railway and Dominion Line of Steamers. You are aware that the Dominion Government is aiding the trade in this matter, and has provided first-class facilities for any firm that may desire to take advantage of them, which we purpose doing at the earliest opportunity.

We would suggest that you thoroughly advertise our product as that of Canada, as we understand is done by those who handle similar goods made in Denmark. We shall be glad if you will accept of our proposition; if you will, please cable an answer on receipt of this letter.

Yours faithfully,

ROBERT JONES & CO.

Agents Glencoe Cheese Co., Limited.

(234)

LETTER ACCOMPANYING ACCOUNT SALES FROM BERMUDA.

Hamilton, Bermuda, April 3, 1908.

L. A. Mallory, Esq.,
Belleville, Ont.

Dear Sir,—

We beg to advise you, with pleasure, that the whole of your consignment of flour has been disposed of at the highest price, and that the trade is well satisfied with its quality. You need not fear to send future consignments at suitable periods of the year. We enclose herewith account sales, together with a bill of exchange, No. 81, of the Colonial Bank, upon Messrs. Smith, Tucker & Co., of New York City, for \$1,471.20, payable to your order at 3 days' sight, being the net proceeds of the consignment, less the cost of remitting.

We express the hope that the result will prove satisfactory.

We are,

Yours faithfully,

J. H. WATLINGTON & CO.

(115)

*RECOMMENDATION OF A YOUNG MAN FOR A SITUATION.

(Copy.)

Toronto, Ontario, Jan. 25th, 1908.

The bearer, Mr. J. H. Brown, has been in our employ as assistant bookkeeper for over two years, and we have always found him honest, steady and correct in his deportment, and well qualified for any position of trust in a counting house. We cheerfully recommend him as a competent bookkeeper, and one who will, we believe, earnestly apply himself to promote the interests of his employers.

(69)

(Signed,) A. R. McMASTER & BRO.

RESIGNING A SITUATION.

Hamilton, Ont., Jan. 6, 1908.

J. C. Hood, Esq.,
President The Ontario Transportation Co., Limited,
Hamilton, Ont.

Dear Sir,—

I beg hereby to resign the position of Secretary-Treasurer of the Ontario Transportation Company, Limited. My reason for taking this step is, that I wish to settle in Alberta, having secured the position of managing accountant with the Edmonton Elevator and Storage Company, Limited.

I desire, in retiring from the Company's service, to thank you personally, and through you the Board of Directors, for the kindness and consideration that have always been shown me.

I am, with much respect,

Yours faithfully,

(100)

G. A. McCLATCHIE.

IN THE WEST INDIES.

Marigot, St. Martin, W. I., Nov. 15th, 1908.

Messrs. Becker, Moroles & Co.,
Philipsburg.

Gentlemen,—

The schooner "Mary" has just arrived from Viecus with a load of cattle. They are all in good marketable condition, and as you are buying cattle for the Guadaloupe market, I offer you this lot for \$40 a head, free at high water mark in Guadaloupe.

If this proposal meets with your approval, I shall expect your supercargo some time to-day.

I am,

Yours faithfully,

(61)

L. A. VAN ROMONDT, JR.

INVITING MONEY FOR INVESTMENT.

THE NATIONAL TRUST COMPANY, LIMITED.
22 King Street East,

J. W. Johnson, Esq.,
Belleville, Ont.

Toronto, Ont., April 3, 1908.

Dear Sir,—

The National Trust Company is prepared to receive sums of \$1,000 and upwards, in trust for investment for any term exceeding one year, and will guarantee the return of the principal at the end of the period agreed upon, with interest in the meantime at the rate of 4% per annum, payable half-yearly.

Under this form of investment, clients of the Company are doubly secured; first, by the particular security in which their money is invested, and, secondly, by the guarantee of the Company with its paid up capital of a million dollars and reserve fund of \$270,000.

The above is particularly commended to investors whose first object and chief aim is the absolute security of their principal.

We are,

Yours faithfully,

THE NATIONAL TRUST CO., LIMITED.

(150)

Per.....

Manager.

(29)

NOTICE OF DRAFT SENT TO DRAWEE.

Belleville, Ont., Sept. 14th, 1908,

Mr. Wm. Brown,
Kingston, Ont.

Dear Sir,—

We have this day drawn on you through the Bank of Montreal, at ten days' sight, for the amount of your account, as per statement herewith enclosed. Please honor, and oblige

Yours respectfully,

(31)

S. G. BEATTY & CO.,
per J.

REMITTANCE TO ENGLAND

Collingwood, Ont., Can., Jan. 5th, 1908.

Messrs. Leaf, Sons & Co.,
London, Eng.

Gentlemen,—

Herewith enclosed you will please find the first bill in a set of exchange, No. 578, issued by the Bank of Commerce here, for the sum of £397, 12, 6, payable at three days' sight, at the National Bank of Scotland, London, with which please retire my acceptance in your favor due on January 20. Please cancel and return the acceptance in course of mail and oblige

Yours faithfully,

(67) Enclosure.

T. E. HAWKINS.

LETTER OF RECOMMENDATION.

Belleville, Ont., *11/28, 1908.

The bearer, Mr. K. Markell, has been in our employ for the past three years as salesman and bookkeeper, and we always found him diligent and faithful in the discharge of his duties, and willing at all times to make his employer's interest his own. He is correct and reliable in his accounts, and is well qualified for the position of bookkeeper or correspondent.

We cheerfully recommend him to any one who may require the services of a trustworthy and competent person in the counting-house.

Very respectfully,

(86)

JAS. COOPER & CO.

APPLICATION FOR A SITUATION AS BOOKKEEPER.

Ottawa, Ont., March 1st, 1908.

Messrs. T. C. Kerr & Co.,
Hamilton, Ont.

Gentlemen,—

Having learned from Mr. S. R. Hanson that there is a vacancy for a bookkeeper in your house, I respectfully offer my services. I have been engaged for two years in the wholesale house of Messrs. A. R. McMaster & Bro., Toronto, as assistant bookkeeper. I enclose a copy of testimonial from my present employers, and would also respectfully refer you, as to my character and ability, to

Messrs. Smith & Kealey, Wholesale Grocers, Toronto.

Messrs. Gordon, McKay & Co., Dry Goods, Toronto.

F. L. Biggar, Esq., City Solicitor, Toronto.

Any communication which you may be pleased to address as above will receive prompt attention.

Respectfully yours,

(106)

J. H. BROWN.

NOTE.—The first letter is written by a clerk named Jones, who places the last initial of his name under the name of the firm.

NOTE.—When making an application, send only COPIES of the testimonials. At the head of each, write the word "copy," and before the name at the bottom write in brackets (signed); then there is no forgery. For example, see page 469.

* 11/28 means eleventh month (November) 28th day.

REGARDING THE CONDITION OF TRADE IN THE WEST INDIES.

Basseterre, St. Kitts, West Indies, May 10, 1908.

W. L. Wall, Esq.,
Plymouth, Montserrat.

Dear Sir,—

In reply to your letter of the 6th inst., I would say that the business conditions in this Island have considerably improved.

Owing to the fair prices which the sugar of our last crop fetched, the estates' owners have extended the cultivation of their lands and commenced improvements in the crushing power of their machinery, which has occasioned more work for the laborers, and thus brightened business generally. The opening of the Panama Canal should greatly benefit us as well as the other Islands, and, if the proposed confederation with Canada takes place, it is safe to say that the "good old times" are not far distant.

I shall be glad to hear from you again.

I am,

Yours faithfully,

J. G. STRONG.

(140)

ADVICE OF SHIPMENT.

Belleville, Ont., Nov. 18th, 1908.

Mr. H. M. Alexander,
Montreal.

Dear Sir,—

We have this day shipped to your address by the str. "Alexandria" 100 Kegs Butter, as per invoice enclosed, to be sold on our account. The quality is choice, and we have no doubt it can be disposed of at good figures.

Yours truly,

JOHN ASHLEY & CO.

(38)

ANOTHER—ON JOINT ACCOUNT.

Brockville, Ont., Nov. 18th, 1908.

Messrs. Fletcher & Co., Limited,
Montreal.

Gentlemen,—

Your favor of the 10th inst. came duly to hand. We accept with pleasure your join in shipment of Flour, and enclose invoice and shipping bill of 100 bbls. Corn Superfine, forwarded to your address this day per str. "St. Helen." We have drawn at 10 days' sight for one-half the amount of the invoice, \$250, as requested.

Trusting that the adventure will prove of mutual advantage, we are,

Yours very truly,

J. W. LONDON & CO.

(71)

ENCLOSING ACCOUNT SALES.

Montreal, Que., Nov. 25th, 1908.

Messrs. John Ashley & Co.,
Belleville, Ont.

Gentlemen,—

Enclosed please find account sales of your shipment of the 18th inst., ex str. "Alexandria," also sight draft on Messrs. Beatty & Wallbridge, of your city, for net proceeds, twelve hundred dollars. Trusting that the result will prove satisfactory, and soliciting further shipments, which at all times shall receive my best attention, I am,

Yours very truly,

H. M. ALEXANDER.

(54)

ENCLOSING STATEMENT OF ACCOUNT AND REQUESTING A REMITTANCE.

Toronto, Ont., Aug. 25th, 1908.

Mr. Wm. Smith,
Cobourg, Ont.

Dear Sir,—

Your attention is called to the enclosed statement of account, showing balance in our favor of \$57.80. As it is long past due, an early remittance will oblige

Yours truly,

(28)

JAMES MANN & CO.

ANOTHER, IN CASE SUCH AS THE LAST PROVES INEFFECTIVE.

Toronto, Ont., Oct. 5th, 1908.

Mr. Wm. Smith,
Cobourg, Ont.

Dear Sir,—

We again call attention to the balance of your account, \$57.80, still remaining unpaid. Your promises to remit have not been fulfilled. We trust your immediate attention to the matter will obviate the necessity of our referring to it again. If we do not hear from you before the 15th instant we shall draw upon you at sight for the amount.

Yours truly,

(61)

JAMES MANN & CO.

*LETTER OF INTRODUCTION INCURRING LIABILITY.

London, Ont., Oct. 26th, 1908.

Messrs. Geo. Winks & Co.,
Montreal.

Gentlemen,—

Allow us to introduce to you Mr. J. B. Ashley, a merchant of this city. You may consider us responsible for goods that he may purchase from you, to any amount not exceeding four thousand dollars, on condition that you notify us immediately should default be made in payment, or part payment, thereof.

Yours truly,

(53)

JONES & BROWN.

INTRODUCING A FRIEND.

Belleville, Ont., Sept. 4th, 1908.

Henry Brown, Esq.,
Halifax, N. S.

Dear Brown,—

This will introduce to you the bearer, Mr. W. E. Embury, who visits your city for the purpose of making arrangements to engage in the Grocery business. I have much pleasure in assuring you that he is a young man of strict integrity, superior ability, and in every way worthy of your entire confidence. Any assistance you may find it in your power to render him, I will regard as a personal favor to myself, which I shall be happy to reciprocate whenever an opportunity shall offer.

Yours very truly,

(87)

SAMSON SMITH.

* The Statute of Frauds, passed in the reign of Charles II., and still in force in Canada as in Great Britain and Ireland, requires that to bind one party for the debt of another, he must have bound himself in writing.

ANSWER TO ADVERTISEMENT FOR A SITUATION.

Lancaster, Ont., April 6th, 1908,

Messrs. J. Wright & Co.,
Montreal.

Gentlemen,—

In answer to your advertisement in the "Star" of to-day, for an assistant in your office, I respectfully offer my services. I have just graduated from Ontario Business College, Belleville, where I have been thoroughly trained by practical accountants of wide experience. Should I be successful in securing the position, I shall endeavor, by devotion to duty, to merit your confidence. For reference as to my character and ability, I would offer the names of

Mr. George Brown, 146 Jarvis Street, Toronto.

Messrs. J. E. Dwight & Co., of your city.

Should a personal interview be desired, please address as above.

Very respectfully,

(102)

ANSON McKIM.

FROM THE MAYOR OF BELLEVILLE TO THE MAYOR OF
BRANTFORD.

Belleville, Ont., May 10, 1900.

J. G. Good, Esq.,
Mayor of Brantford,
Brantford, Ont.

Dear Mr. Mayor,—

I am in receipt of your circular notifying me that the Premier of Ontario will receive a deputation composed of the Mayors of the various cities and towns of the province on Wednesday next, to discuss certain matters regarding which the Ontario Municipal Association has made recommendations to the Legislature.

Several of the subjects to be brought forward do not affect the smaller cities, but there are some matters of practical interest to every municipality of the province. Municipal administration is a progressive science, and those who are engaged in administering municipal affairs are, by their experience, competent to advise the Legislature when changes are desirable.

I may mention two or three matters in which our municipality is interested. One is No. 4 on the list. As the law now stands, if the collector of taxes has omitted to levy upon the chattels of a delinquent tax-payer for any reason, the sale of the land involved for taxes may be upset if anyone interested in the matter takes the trouble to point out the failure of the collector. It is proposed that a law be passed remedying this defect, and that any sale of lands for taxes in any city or town should not be invalid for that reason alone. No. 10, Section 565, of the Municipal Act gives to towns only the right to purchase and develop water-power for lighting or for manufacturing. It is proposed to ask the Legislature to add the word "city" to the section.

There are other equally important matters to be taken up, and I hope to have the pleasure of your assistance in pressing the desired reforms upon the Government.

I am,

Yours faithfully,

(300)

J. W. JOHNSON,
Mayor of Belleville, Ont.

REPLY TO LETTER ON PAGE 468.

Belfast, Ireland, 10th June, 1908.

Messrs. Robert Jones & Co.,
Brockville, Canada.

Gentlemen,—

We are in receipt of your favour of the 2nd inst., and have this morning cabled our reply in the affirmative. We have been watching the course of the market here very closely for both cheese and butter, and we are assured, not only from the results of our own observation, but from the opinions expressed by other houses in the trade, that the present year will be a satisfactory one to Canadian factories.

The action of the Canadian Government in establishing cold storage depots, and facilities for cold storage on ocean steamers, is fully appreciated on this side. We will handle your product on the most favorable terms. A consignment by the steamer leaving next week will be acceptable.

Yours faithfully,

120)

JOHNSON BROTHERS.

REGARDING TREASURY STOCK.

Belleville, Ont., Jan. 7th, 1908.

Mr. J. H. Watlington,
Toronto.

Dear Sir,—

I am in receipt of your favor of the 6th inst., requesting my opinion regarding Treasury Stock. In reply I beg to say that since the Mining Development began this year, and as so many companies have been offering Treasury Stock for sale at a few cents on the dollar, I have taken special pains to ascertain the legality of that proceeding, and the extent of the liability of those who may be induced to purchase Treasury Stock. I can only answer for the law in Ontario. What it may be in British Columbia or in the State of Washington, I cannot say. There is no question about the legality of mining companies issuing stock at a discount from the face value, and making it non-assessable, and relieving the subscriber to that stock of any liability beyond the sum that the stock is offered for. An amendment to the Mines Act of 1892, passed at a recent session of the Ontario Legislature, gives mining companies power to sell stock under these circumstances, at any discount they please.

In the twelfth edition of my Joint Stock Bookkeeping, which is just out of press, I deal fully with the matter that you request information upon, as well as with the bookkeeping in connection with the issue of Treasury Stock.

I am,

Yours faithfully,

(221)

J. W. JOHNSON.

WITHOUT PREJUDICE.

(See explanation at page 445),

Kingston, Ont., July 1st, 1908.

Mr. John C. Lake,
Cobourg.

Dear Sir,—

Being desirous to effect a settlement of the matters in dispute between us, I make you the following offer, without prejudice: If you will give up your claim to the lot in the cemetery here, I will give you a discharge of the mortgage I hold against your property, and, besides, pay you the sum of fifty dollars.

Yours truly,

(58)

THOS. C. BROWN.

COMMERCIAL ARITHMETIC.

The method of addition that will best secure accuracy, with quickness, in office work is already dealt with at pages 269 and 270, to which the student will refer.

SIMPLE INTEREST.

To find the Simple Interest on any sum of money for one year, multiply the sum by the rate per cent. and divide the product by 100.*

To find the interest for an exact number of years, or years and months, first find it for one year as above, and multiply the result by the number of years or number of years and fraction of a year.

EXAMPLES.—Find the interest on \$850 for one year at 7 per cent., also the interest on \$850 for 5 years at 7 per cent., and for 5 years and 7 months at 7 per cent.

Solution No. 1.

$$\begin{array}{r} \$ 850 \\ 7 \\ \hline \$59.50 \text{ Ans.} \end{array}$$

Solution No. 2.

$$\begin{array}{r} \$ 850 \\ 7 \\ \hline 59.50 \\ 5 \\ \hline \$297.50 \text{ Ans.} \end{array}$$

Solution No. 3.

$$\begin{array}{r} \$ 850 \\ 7 \\ \hline 59.50 \\ 5 \text{ 7-12} \\ \hline \$297.50 \\ 34.71 \\ \hline \$332.21 \text{ Ans.} \end{array}$$

To find the Simple Interest on any sum of money for a number of days, arrange the example in the form of a fraction by placing the principal over the number 1, the rate per cent. over 100, and the number of days over 365; then multiply the three fractions together thus:—

EXAMPLE.—Find the interest on \$940 for 56 days at 8 per cent.

$$\text{SOLUTION.}—\frac{940}{1} \times \frac{8}{100} \times \frac{56}{365} = \$11.54. \quad \text{Ans.}$$

NOTE.—Before multiplying the fraction, it may be cancelled by striking common factors out of numerators and denominators.

SIMPLE INTEREST BY CANCELLATION.

EXAMPLES.

1.—Find the interest on \$850 for 6 months at 7 per cent.

$$\text{Arrangement } \frac{\overset{17}{\cancel{850}}}{1} \times \frac{\overset{7}{\cancel{100}}}{100} \times \frac{6}{12} = \$29.75. \quad \text{Ans.}$$

2.—Find the interest on \$940 for 48 days at 6 per cent.

$$\text{Arrangement } \frac{\overset{94}{\cancel{940}}}{1} \times \frac{\overset{6}{\cancel{100}}}{100} \times \frac{48}{365} = \$7.42. \quad \text{Ans.}$$

* To divide by 100, remove the decimal point two places toward the left.

Find the simple interest on :—

- 3.—\$860 for one year at 7 per cent. Ans.—\$60.20.
- 4.—\$1468.50 for 6 years at 8 per cent. Ans.—\$704.88.
- 5.—\$1272 for 4 years and 5 mos. at 6 per cent. Ans.—\$337.08.
- 6.—\$840.75 for 3 years and 11 mos. at 5 per cent. Ans.—\$164.66.
- 7.—\$680 for 10 mos. at 7 per cent. Ans.—\$39.67.
- 8.—\$920 for 9 mos. and 23 days at 6 per cent. Ans.—\$44.88.
- 9.—\$1034 for 68 days at 7 per cent. Ans.—\$13.48.
- 10.—\$264.40 for 170 days at 8 per cent. Ans.—\$9.85.
- 11.—\$480 from Jan. 12th to Sept. 16th at 6 per cent. Ans.—\$19.49.
- 12.—\$760 from Aug. 9th to Dec. 31st at 7 per cent. Ans.—\$20.99.

PARTIAL PAYMENTS.

The method of computing interest when partial payments have been made is a subject that has given rise to much litigation. When the time of the note or obligation is more than one year the following rule has been sanctioned by a number of decisions both in law and equity.

RULE I.—*Compute the interest on the principal to the time of the first payment, and if this payment exceeds the interest then accrued, add the interest to the principal and from the sum subtract the payment; the remainder will form a new principal, with which proceed as before.*

II.—*But if the payment be less than the interest accrued, compute the interest on the principal to the time when the sum of the payments shall first equal or exceed the interest; add the interest to the principal and from the amount subtract the sum of the payments, and treat the remainder as a new principal.*

NOTE.—This rule is based upon the principle that in all cases the payment should be applied first to interest accrued, then to the principal, and that the principal, remains unchanged until the sum paid equals or exceeds the accrued interest, the principal alone drawing interest.

EXAMPLES.

\$4000.

Toronto, June 1st, 1904.

1.—Two years after date I promise to pay William Smith, or order, Four Thousand Dollars, for value received, with interest at seven per cent. per annum.

RICHARD HAYWELL.

On this note were endorsed the following payments:—

September 15, 1904, received (\$450) Four Hundred and Fifty Dollars.
 December 15, 1904, received (\$50) Fifty Dollars.
 March 1, 1905, received (\$500) Five Hundred Dollars.
 January 1, 1906, received (\$1000) One Thousand Dollars.

What remained due June 4, 1906.

OPERATION.

Principal bearing interest from June 1st, 1904.....	\$4000 00
Interest to September 15th, 1904, 106 days.....	81 32
Amount.....	4081 32
Less first payment.....	450 00
Remainder for a new principal	3631 32

The interest from September 15th, to December 15th, 1904, is \$63.38, which exceeds the payment.

Interest from September 15th, 1904, to March 1st, 1905, 167 days	116 31
Amount.....	3747 63
Less the sum of the second and third payments.....	550 00
Remainder for a new principal	3197 63
Interest from March 1st, 1905, to January 1st, 1906.....	187 65
Amount.....	3385 28
Less payment January 1st, 1906	1000 00
Remainder for a new principal	2385 28
Interest from January 1st, to June 4th, 1906.....	70 45
Balance due June 4th, 1906.....	2455 73

\$1500.

Hamilton, January 1st, 1907.

2.—One year after date, we promise to pay S. White, or order, Fifteen Hundred Dollars, with interest at six per cent. per annum, value received.

GEORGE BROWN & CO.

The following payments were made on this note : March 16, 1907, \$100 ; June 13, 1907, \$400 ; September 1, 1907, \$200.

What was due January 1, 1908, interest at 6 per cent. ? Ans. \$869.77.

\$3500.

Belleville, March 15th, 1906.

3.—For value received we jointly and severally promise to pay Wm. Smith, or order, Three Thousand Five Hundred Dollars, with interest at six per cent. per annum.

JAMES JONES.

ROBERT BROWN.

Indorsed as follows : June 1, 1906, received \$800 ; September 1, 1906, \$100 ; January 1, 1907, \$1560 ; March 1, 1907, \$300.

What was due May 16, 1907, interest at 6 per cent. ? Ans. \$902.87.

The correspondence which follows will prove interesting and instructive in connection with PARTIAL PAYMENTS.

Cleveland, Ohio, June 30th, 1907.

Ontario Business College,
Belleville, Ontario,
Gentlemen,—

A copy of your "Canadian Accountant" is before me. I have looked it over carefully and think very highly of it. I would like to ask you whether your laws still hold to the principle advanced by you in this volume on "Partial Payments," when you show a note for \$4000 at two years, bearing 7% interest, had four partial payments, amounting to \$2,000 indorsed upon it, to the effect that while there is no time specified for the payment of interest on the note, hence should not be due until the expiration of the two years, you compound the interest from the time that each partial payment is made, thus compounding interest four times in one year and six months. It would be bad business policy to make any payments on a note where this principle obtains. A reply at your convenience will much oblige

Yours truly,

(146)

P. A. MACKENZIE.

Belleville, Ontario, July 8th, 1907.

P. A. Mackenzie, Esq.,
Cleveland, Ohio,
Dear Sir,—

Replying to your letter of June 30th, regarding the method of calculating Partial Payments as shown in "The Canadian Accountant," I beg to say that I have taken pains to look up the matter, and have found in the Law Reports of Ontario three different cases where decisions were given in favor of the method of calculation adopted by me. I have not been able, however, to find anything in our Statutes legalizing the method. All arithmetics, both American and Canadian, however, adopt the same principle, which is, first to apply the payment to cancel interest up to the time the payment is made, the balance going to liquidate the principal. In the case to which you refer in our work, you will observe that Haywell promised to pay \$4,000.00 in two years, without any provision in the note or in the indorsements thereon that the payments were to be applied to the payment of principal only. In fact, the holder of the note is not obliged to receive any payments before the note falls due, but to accommodate the maker he accepts payments, but says, "you must pay me the interest to date and the balance I will apply upon the principal."

Yours respectfully,

(202)

J. W. JOHNSON.

Wilmington, Delaware, October 12th, 1907.

Ontario Business College,
Belleville, Ont.,
Gentlemen,—

A \$200 Note, dated Nov. 20th, 1902, interest 10% from date, has the following payments made thereon:—

January 12, 1906.....	\$10 00
October 1, 1906.....	25 00
November 1, 1906.....	15 00
December 1, 1906.....	15 00
January 15, 1907.....	15 00
February 5, 1907.....	15 00
April 7, 1907.....	25 00
June 16, 1907.....	25 00
July 16, 1907.....	35 00
September 6, 1907.....	50 00
October 10, 1907.....	20 00

What is the balance due October 20, 1907? To be worked by the *Canadian* rule of partial payments, *adopted by the Courts*.

If you will give the foregoing problem to your students, and send me the correct answer, I shall be very much obliged to you.

Yours truly,

(107)

R. J. MACLEAN.

SOLUTION.

Interest at 10% on \$200, from Nov. 20, 1902, to Feb. 5, 1907.....	\$ 84 22
Principal.....	200 00
	<hr/>
Payments to Feb. 5, 1907.....	\$ 284 22
	95 00
	<hr/>
Interest to April 7—61 days.....	\$ 189 22
	3 16
	<hr/>
Payment.....	\$ 192 38
	25 00
	<hr/>
Interest to June 16—70 days.....	\$ 167 38
	3 21
	<hr/>
Payment.....	\$ 170 59
	25 00
	<hr/>
Interest to July 16—30 days.....	\$ 145 59
	1 20
	<hr/>
Payment.....	\$146 79
	35 00
	<hr/>
Interest to Sept. 6—52 days.....	\$111 79
	1 59
	<hr/>
Payment.....	\$ 113 38
	50 00
	<hr/>
Interest to October 10—34 days.....	\$ 63 38
	59
	<hr/>
Payment.....	\$ 63 97
	20 00
	<hr/>
Interest to October 20—10 days.....	\$ 43 97
	12
	<hr/>
Balance due October 20, 1907.....	\$ 44 09

EQUATION OF PAYMENTS.

is the process of finding the mean or average time for the payment, in one amount, of several debts due at different dates, without allowing advantage to either debtor or creditor.

The time when the amount falls due by average is called the **EQUATED TIME**.

The different methods of equating payments are based upon the principle that the interest or use of any sum of money **PAID BEFORE IT IS DUE** is equivalent to the interest or use of an equal sum **RETAINED FOR THE SAME LENGTH OF TIME AFTER IT BECOMES DUE**. The process, therefore, consists merely in finding a point of time when the **INTEREST** on sums then overdue equals the **DISCOUNT** on the sums not due, reckoning what is here termed discount as simple interest, like bank discount.

ILLUSTRATIONS.—Suppose A owes B \$100 due in one year, and \$100 due in two years, without interest, the average maturity of both sums is eighteen

months from the date of the first ; for A will then have had the use of \$100 for six months after it became due, which is equivalent to the use of \$100 paid six months before it was due.

EXAMPLE.—A owes B, January 1, 1908, \$1800, of which \$700 is payable in six months, \$300 in four months, and \$800 in eighteen months ; when can the whole be paid without gain or loss of interest to either party ?

PRACTICAL SOLUTION.

Product Method.

$$\begin{array}{rcl}
 700 \times 6 & = & 4200 \\
 300 \times 4 & = & 1200 \\
 800 \times 18 & = & 14400 \\
 \hline
 1800 &) & 19800(11 \\
 & & 1800 \\
 \hline
 & & 1800 \\
 & & 1800 \\
 \hline
 & &
 \end{array}$$

Interest Method.

$$\begin{array}{rcl}
 6\% \text{ Int. on } \$700 \text{ for 6 mos.} & = & \$21 \ 00 \\
 \text{" " } 300 \text{ " 4 " } & = & 6 \ 00 \\
 \text{" " } 800 \text{ " 18 " } & = & 72 \ 00 \\
 \hline
 & & \$99 \ 00 \\
 \text{" " } 1800 \text{ " 1 " } & = & 9 \ 00 \\
 \hline
 & &
 \end{array}$$

$99 \div 9 = 11 \text{ mos.}$

EXPLANATIONS.

$$\begin{array}{rcl}
 \text{The use of } \$700 \text{ for 6 months} & = & \text{the use of } \$1 \text{ for 4200 months.} \\
 \text{" } 300 \text{ " 4 " } & = & \text{" " 1200 " } \\
 \text{" } 800 \text{ " 18 " } & = & \text{" " 14400 " } \\
 \hline
 \text{" } \$1800 \text{ " 11 " } & = & \text{" " 19800 " }
 \end{array}$$

The use of \$1 for 19800 months is equal to the use of \$1800 for as many months as 1800 is contained times in 19800 = 11.

By the INTEREST METHOD, the total interest of the different sums for their respective terms of credit is \$99, and the interest of \$1800 for one month is \$9.

Therefore it will take \$1800 as many months to gain \$99 as 9 is contained times in 99 = 11. Hence, the equated time is 11 months from Jan. 1, 1908, which is Dec. 1, 1908.

EXAMPLE.

1.—Sold Robert Jones the following goods :—

June	1,	1908,	\$350	on 2 months' credit.
July	15,	"	400	" 3 " "
Aug.	10,	"	450	" 4 " "
Sept.	12,	"	600	" 6 " "

What is the equated time of payment ?

SOLUTION.

June	1,	1908,	\$350	on 2 mos. falls due	Aug.	1,	1908,	$350 \times 0 =$	00000
July	15,	"	400	" 3 " "	Oct.	15,	"	$400 \times 75 =$	30000
Aug.	10,	"	450	" 4 " "	Dec.	10,	"	$450 \times 131 =$	58950
Sept.	12,	"	600	" 6 " "	Mar.	12,	1909,	$600 \times 223 =$	133800
									<hr/>
									1800)222750(124

Ans.—124 days from Aug. 1 = Dec. 3, 1908.

RULE.—Find the dates when the several items become due.

II.—Take the earliest one of the dates thus found as the standard or focal date from which to compute the time to each of the other dates.

III.—Multiply each item by the number of days between its date and the focal date, add together the several products and divide their sum by the amount of the account; the quotient thus found is the number of days to count forward from the focal date.

EXAMPLES FOR PRACTICE.

2.—Sold goods to A as follows :—

1908, June 10, a bill at 60 days	\$2500 00
Aug. 18, " 30 "	475 32
Sept. 20, " 90 "	500 00
Oct. 1, " 60 "	219 75
Nov. 1, " 30 "	150 25
	<hr/>
	\$3845 32

When will the above bill become due by average? Ans.—Sept. 11th.

3.—A merchant sold to one of his customers several bills of goods as follows :—

May 9, 1908, a bill of \$ 940 on 4 months' credit.	
June 6, " " 500 " 3 " "	
July 8, " " 945 " 5 " "	
Aug. 30, " " 830 " 5 " "	
Sept. 30, " " 1000 " 6 " "	

What is the equated time of payment, and how much would balance the account, Jan. 1, 1909, allowing interest at 6 per cent. ?

DOUBLE EQUATION OR AVERAGING OF ACCOUNTS.

There are a number of different rules for working double equation. We select the following on account of its simplicity :—

RULE I.—Find the date when each item is due or paid on both sides.

II.—Take the earliest due date on either side thus found or the first day of the month in which the earliest due date comes, for the focal or standard date, and multiply each item on both sides of the account by the number of days between the focal date and the date of the item.

III.—Add the products on each side and subtract the sum of those on one side from the sum of those on the other, and divide the difference by the balance of the account. The quotient is the number of days to count forward from the focal date, when the balance of the products and the balance of the account come on the same side, and backward from the focal date when they come on the opposite side.

EXAMPLE NO. I.

Find the equated time for the payment of the balance of the following account:

Dr.

W. B. ROBINSON.

Cr.

1907				1907			
Jan. 11	To Mdse., no time.....	\$750		Mar. 3	By Cash.....	\$ 700	
Feb. 1	" " on 3 mos.....	600		Apr. 14	" "	500	
Mar. 15	" " " 6 "	1500		" 15	" "	360	
May 3	" " " 4 "	900					

SOLUTION.

Due dates.	days.		Paid or due.	days.	
Jan. 11,	$750 \times 10 =$	7500	Mar. 3,	$700 \times 61 =$	42700
May 1,	$600 \times 120 =$	72000	Apr. 14,	$500 \times 103 =$	51500
Sept. 15,	$1500 \times 237 =$	385500	" 15,	$300 \times 104 =$	31200
" 3,	$900 \times 245 =$	220500			
	3750	685500		1500	125400
	1500	125400			
Bal. of account 2250	)	560100	Bal. of Products.		
		4500			
		11010			
		9000			
		20100			
		18000			
		2100			
		2250			
			42		
			—		
			45		

Balance \$2250 averages due 249 days from Jan. 1, 1907, which is Sept. 7 1907.

NOTE.—In the above example Jan. 1. is taken as the focal date instead of Jan. 11. The same result would have been obtained by taking Jan. 11.

EXAMPLE 2.—Find the equated time for the payment of the balance of the following account :—

Montreal, Nov. 5th, 1908.

Mr. John Smith,

In account with S. S. EDSALL.

*Dr.**Cr.*

1908				1908			
Aug 18	To Mdse, at 90 days,	\$2500	00	Sept 20	By Cash,	\$1000	00
Sept 20	" " " 60 "	500	00	Oct. 10	" "	500	00
Oct. 1	" " " 30 "	475	00	Nov 5	" "	275	00
Nov 5	" " " 30 "	335	00		Balance	2035	00
		\$3810	00			\$3810	00

3.—When is the balance of the following account due per average?

Dr.

A. B. PERRY.

Cr.

1908				1908			
Sept 12	To Mdse, at 30 days,	\$927	30	Oct. 10	By Cash,	\$500	00
Oct. 15	" " " 30 "	342	75	Nov 20	" "	300	00
Nov 18	" " " 60 "	212	13	" 30	" "	250	00
Dec 1	" " " 30 "	175	50				

ANS. Nov. 19, 1908.

AVERAGE OF ACCOUNT OF SALES.

In averaging an Account of Sales, the sales constitute the credits, the charges, the debits, and the net proceeds the balance.

When sales are made on time, the consignee is entitled by custom to the same term of credit for the payment of the proceeds.

Expenses incurred in receiving the goods, and all charges paid in cash, are considered due the consignee when paid. Commissions and after-charges are, upon strict principle, due at the average maturity of the sales ; yet this rule is not always observed.

The object of averaging an account of sales is to ascertain when the net proceeds become due. Except as regards the adjustment of the date of the commission and charges made on closing a consignment, the process is precisely the same as that of equating an ordinary account.

In joint consignments, the consignee's share of the invoice may be considered due at the date of receipt of goods, or at the date of shipment ; or not until sales are effected ; but this depends altogether upon the agreement between the parties.

STORAGE.

STORAGE is a charge made by an individual who stores movable property or goods for another. It is usually computed by the month of thirty days, at a certain price per bushel, cask, box, barrel, etc. The storage book contains the date when the goods are stored; and the articles : also the date when they are delivered. See Warehousing, pages 214 to 217.

All goods stored are usually subject to one month's storage. In some places, if they remain any part of a month they are charged for a full month; in others, after the first month, if taken out within fifteen days, a half month is charged; if after fifteen days, a whole month, and in other places they are charged only for the time they are in store. The owners of the goods pay for putting the goods in store, stowing away, and the expenses of delivery.

When goods are received and delivered at the pleasure of the consignor, the dues of the storage are usually determined by an average.

To compute storage.

RULE.—*Multiply the number of barrels, or other articles, first entered, by the number of days between the time of entrance and the time of the first delivery or second entrance. Then multiply each balance by the number of days it continues unchanged.*

The sum of all the products will be the number of articles in store for one day. To find the number stored for one month, divide the sum of the products by 30.

EXAMPLE.—What is the cost of storage, at 1c. per bushel per month, of wheat received and delivered as per following account, closed Oct. 2nd, 1908.

ACCOUNT OF STORAGE OF WHEAT RECEIVED AND DELIVERED
FOR ACCOUNT OF SANFORD BAKER & Co.,
BELLEVILLE, ONT.

Date.		Received.	Delivered.	In Store.	Days.	Products.
1908						
July	2	200		200	9	1800
"	11		150	50	5	250
"	16	350		400	5	2000
"	21		300	100	20	2000
Aug.	10	400		500	5	2500
"	15		450	50	5	250
"	20		50	0	0	0000
Sept.	5	200		200	5	1000
"	10	100		300	5	1500
"	15		200	100	17	1700
		1250	1150			30)13000
Bal. on hand Oct. 2			100			
		1250	1250			433

433 × 1c. = \$4.33—Ans.

DISCOUNT.

THE AUTHORIZED METHOD OF WORKING.

The question of discount has been, and still is, a source of trouble and uncertainty in the examinations of the Education Department. We wish to point out to teachers and pupils in the High and Public Schools, as well as in Business Colleges, an absolutely safe guide in working questions in that subject.

Discount is not an abstract question, nor a theory; it is a matter of common, every day practice with bankers and business men. We have simply to ascertain their custom, and we have the authorized method. The common law in regard to any business matter is the custom among merchants and bankers, which is known as the "Law Merchant" (*Lex Mercatoria*). Long before there was any statute law respecting Promissory Notes and Bills of Exchange, there was the common law, based upon the "Law-Merchant." The practice of the banks in working questions in Discount may be regarded as the Common Law with respect to that matter.

That practice is illustrated in the following examples: I am discounting a note of \$560 (borrowing money, with the note as security) at a bank, at the rate of 7% per annum. The note is made at three months from January 5th, and I discount it on that date. As there are three days of grace on all Promissory Notes and Bills of Exchange, not payable on demand, *throughout Canada*, this note will fall due legally on April 8th. The number of days between January 5th and April 8th is 93. The discount on the note, that is to say, the amount that will be deducted from its face for the loan of the money, at the time I borrow it, is the simple interest on \$560 for 93 days at the rate of 7% per annum. The interest on \$560 for a year at 7% is \$39.20; the interest for 93 days is $\frac{93}{365}$ of \$39.20 = \$9.98 +.

Again, I am discounting a note of \$620, made at three months from June 15th, on the 5th of July, at the rate of $6\frac{1}{2}\%$ per annum. The note will mature on Sept. 18th; the time that it has yet to run (from July 5th to September 18th) is 75 days. The interest on \$620 for a year at $6\frac{1}{2}\%$ is \$40.30; the interest for 75 days is $\frac{75}{365}$ of \$40.30 = \$8.28 +.

It will be observed that in discounting, the first thing to do is to ascertain how many days the instrument has to run *from the date of discounting* to the date of maturity. Then find the interest on the face of the note for a year, and then for the fraction of the year, the denominator always being 365. The trouble with candidates for examination has perhaps arisen from not clearly understanding the custom of our banks. They are apt to find the time in months and parts of a month and calculate the discount for so many twelfths of a year, whereas the banks invariably find the exact number of days from the date of discounting to the date of the maturity of the note, and always allow 365 days to the year.

See pages 278 to 279, for the bookkeeping entries for Discounting.

DISCOUNTING NOTES BEARING INTEREST.

1. I hold a note for \$760 against Robert Jones, drawn at ninety days from January 5th, 1907, bearing interest at the rate of 8% per annum, and discount it on the 18th of January at 7%. The first step is to ascertain how much the note will be worth at maturity, that is to say, what sum the holder will be entitled to receive from the maker when it falls due, because that is the amount to be discounted. The interest for a year on \$760 at 8% is \$60.80; the interest for ninety-three days (the term of the note) is $\frac{93}{365}$ of \$60.80 = \$15.49; \$760 (face of Note) + \$15.49 (interest on Note) = \$775.49, worth of Note at maturity. The next step is to ascertain the number of days the Note has to run from the date of discounting to the date of maturity. It will be due on April 8th, and was discounted on January 18th. The number of days between January 18th and April 8th is eighty. Now find the discount on \$775.49 for eighty days, *i.e.*, the amount that will be deducted from \$775.49 for the loan of the money at the time I borrow it, which is the simple interest (bank discount and simple interest being the same) on \$775.49 for eighty days at the rate of 7% per annum. The interest on \$775.49 for a year at 7% is \$54.28; the interest for eighty days is $\frac{80}{365}$ of 54.28 = \$11.90. The net proceeds of the Note to me is \$763.59.

2.—I hold a Note against Richard Rowe, drawn at three months from June 5th, 1908, for \$560, bearing interest at the rate of 7% per annum, and discount it on July 2nd, at the rate of 6%. As it is payable in another city, the bank charges me, in addition to the discount, $\frac{1}{4}$ of 1% for collection. The interest for a year on \$560 at 7% is \$39.20; the interest for ninety-five days (the term of the Note) is $\frac{95}{365}$ of \$39.20 = \$10.20; \$560 (face of Note) + \$10.20 (interest on note) = \$570.20, worth of Note at maturity. It will be due on

September 8th, and was discounted on July 2nd. The number of days between July 2nd and September 8th is sixty-eight. The interest on \$570.20 for a year at 6% is \$34.21; the interest for sixty-eight days is $\frac{68}{365}$ of \$34.21 = \$6.37, and $\frac{1}{4}$ of 1% for collecting \$570.20 = \$1.43; \$1.43 + \$6.37 = \$7.80, the total cost of discounting and collecting. The net proceeds of the Note to me is \$562.40.

It will be observed in the first example that the Note is drawn at ninety days, and has, therefore, ninety-three days to run, including Days of Grace; and in the second example, that the Note is drawn at three months, which makes it necessary to count the actual number of days between the date of the Note, June 5th, and the time of maturity, September 8th, which is ninety-five.

The Journal entry for example 1, leaving proceeds to credit in bank, is

Bank	Dr.	\$763 59
Discount	"	11 90
	To Bills Receivable	\$760 00
	" Interest	15 49
—OR—		
Bank	Dr.	763 59
	To Bills Receivable	760 00
	" Interest	3 59

If the entries are made in the Cash-Book instead of the Journal they would be as follows:—

Dr.	CASH.				CASH.		Cr.
	To Bills Rec., Dis. B.R. No 320	\$760	00	By Bank, Proceeds B.R. No 320		\$763	59
	" Int., on above to maturity	15	49	dis.		11	90
				" Discount, on above			

You may omit the entry for discount, \$11.90, on the credit side, and reduce the entry for interest on the debit side to \$3.59.

The Journal entry for example 2 is,

Bank	Dr.	\$562 40
Discount and Exchange		7 80
	To Bills Receivable	\$560 00
	" Interest	10 20
—OR—		
Bank	Dr.	\$562 40
	To Bills Receivable	\$560 00
	" Interest	2 40

The entries in the Cash Book would be similar to those for example 1.

DISCOUNTING BILLS AND INVOICES.

PRICE LISTS are made out by manufacturers and dealers, as prices to be charged subject to the deductions of certain rates per cent., which fluctuate according to the cost of manufacturing, demand for goods, etc. By changing the rate of discount the prices are changed without altering the price lists. See Trade Discounts, page 267.

In discounting Bills and Invoices, losses sometimes occur when they are not suspected. If an article is sold at a profit of 40 per cent., and 10 per cent. be deducted from the selling price, the gain is not thirty per cent. but 26 per cent., because the discount is calculated on the first cost and also on the profit, whereas the profit is calculated on the first cost only. So, also, if 40 per cent. be added, and then 30 per cent. deducted, the apparent profit is 10 per cent., but the REAL LOSS is 2 per cent.

Cost.....	\$200	Cost.....	\$1 00
40 per cent.....	80	40 per cent.....	40
Advanced price.....	280	Advanced price.....	1 40
Less 10 per cent.....	28	Less 30 per cent.....	42
Net price.....	252	Net price.....	98
26 per cent. profit.		2 per cent. loss.	
10 per cent. of \$200 (cost) =	20	30 per cent. of \$1.00 (cost) =	30
10 per cent. of \$80 (profit) =	8	30 per cent. of .40 (profit) =	12
	\$ 28		\$ 42
= 14 per cent. of cost.		or 42 per cent. of cost.	

1. If I buy cloth for \$1.90 per yard, at what price must I mark it that I may deduct 5 per cent. for my cash customers from the market price, and yet gain 20 per cent. ?
Ans. \$2.40.

2. A merchant marked a piece of goods 25 per cent. more than it cost him, but being anxious to effect a sale, and supposing he would still gain 5 per cent., sold it at a discount of 20 per cent. from his marked price. Did he gain or lose ?
Ans. Neither.

3. My retail price for cloth is \$3.75 per yard, by which I make a profit of $33\frac{1}{3}$ per cent. I sell to a wholesale customer at 20 per cent. discount from the retail price. How much per cent. do I gain or lose, and what do I receive per yard ?
Ans. \$3, gain 6 2-3 per cent.

4. My retail price for broadcloth is \$4.75 per yard, by which I make a profit of 33 1-3 per cent. I sell a wholesale customer 100 yards at a discount of 30 per cent. from the retail price. What per cent. do I gain or lose, and what do I receive per yard ?
Ans. ; lose 6 2-3 per cent. ; rec'd \$3.325 per yard.

5. I bought a quantity of tea at \$1 per lb. Allowing that the tea will fall short 10 per cent. in weighing it out, and that 15 per cent. of the sales

will be in bad debts, for how much per lb. must I sell it to make a clear gain of 20 per cent. on cost? Ans. \$1.568.

STOCKS AND BONDS.

The capital stock of a Joint Stock Company is divided into equal parts of convenient amounts called shares; the persons owning one or more of these shares are called stock-holders. Certificates of stock are issued by the company, signed by the proper officers, indicating the amount and number of shares to which each stock-holder is entitled.

Shares in a Joint Stock Company may be bought and sold like any other property. When their market value equals their nominal or face value, they are said to be at par. When they can be sold for more than their face value, they are said to be at a premium, or above par; when sold for less than face value they are at a discount, or below par. Quotations of their market value are generally made by a percentage of their par value.

Profits distributed among the stock-holders are called dividends (divided profits) and are at a certain rate per cent. of the par value of the shares.

When municipalities, cities and large corporations borrow large amounts of money not to be repaid for long periods, they issue bonds (also called debentures), see page 257, in denominations of convenient amounts (say \$1,000.00) payable at a specified time, with interest payable at stated regular intervals (usually half-yearly). Attached to the bonds are interest coupons, each of which is a promise to pay the interest on the bond to which it is attached, stating the amount of the interest and the time of payment. As they become due, the coupons are severally cut off and sent to the place of payment for redemption.

*Bonds and their interest coupons are signed by the proper officers of the corporation issuing them. They are negotiable by delivery, being made payable "to bearer." The value of bonds depends largely upon the degree of certainty of their being paid at maturity, the rate of interest which they yield and the period of time which must elapse before their maturity.

† EXAMPLES.

1.—What is the cost of 80 shares of Bank Stock at 121%, brokerage $\frac{1}{4}\%$?

SOLUTION.

$$\text{Cost of 1 share} = \$121 + \$\frac{1}{4} = \$121\frac{1}{4}$$

$$\text{" 80 shares} = \$121\frac{1}{4} \times 80 = \$9,700.$$

* Bonds (Debentures) are issued under the Corporation seal.

NOTE.—Care should be taken not to confuse dividends on shares with interest on bonds; Dividends are paid to stock-holders only when there are profits to be divided; Interest must be paid to bond-holders at the several dates of payment.

† In these stock problems, the par value of each share is \$100.

‡ Brokerage (broker's commission for buying or selling) is calculated on the par value of the shares.

2.—What will be received as proceeds of a sale of 80 shares of Bank Stock at 121%, brokerage $\frac{1}{4}\%$?

SOLUTION.

$$\begin{aligned}\text{Selling price 1 share} &= \$121 - \$\frac{1}{4} = \$120\frac{3}{4} \\ \text{" 80 shares} &= \$120\frac{3}{4} \times 80 = \$9,660.\end{aligned}$$

3.—If 120 shares of Bank Stock cost \$14550, find the market value, brokerage $\frac{1}{4}\%$. ANS. 121.

4.—If 180 shares of stock sold for \$21735, find the market value of the stock, brokerage $\frac{1}{4}\%$. ANS. 121.

5.—How many shares of stock at 121 can be bought for \$3637.50, brokerage $\frac{1}{4}\%$? ANS. 30.

6.—How many shares of stock at 130 must be sold to realize \$7785, brokerage $\frac{1}{4}\%$? ANS. 60.

7.—What annual income will be derived from 60 shares of \$100 each paying 7% dividends? ANS. \$420.

8.—\$300 income is derived from \$3750 stock; find the rate of dividend. ANS. 8%.

9.—What income will be derived from investing \$6315 in stock paying a 6% dividend at 105, brokerage $\frac{1}{4}\%$?

SOLUTION.

$$\begin{aligned}\frac{6315}{105\frac{1}{4}} &= 60 = \text{number of shares bought.} \\ 60 \times 6 &= \$360 \text{ income.}\end{aligned}$$

10.—What income will be derived from investing \$4210 in stock paying a 5% dividend at 105, brokerage $\frac{1}{4}\%$? ANS. \$200.

11.—What per cent. of the investment is made by purchasing at 105, stock which pays 7% dividends?

SOLUTION.

$$\begin{aligned}\text{Income from } \$105 \text{ invested} &= \$7. \\ \text{" " } \$100 \text{ " " } &= \frac{7 \times 100}{105} = \$6\frac{2}{3} \text{ or } 6\frac{2}{3}\%.\end{aligned}$$

12.—What per cent. of the investment is made by buying at 125, stock which pays 8% dividends? ANS. 6 2-5 %.

13.—Which is the better investment and what per cent. better, 7% stocks at 140 or 8% stocks at 152? ANS. The second is $\frac{5}{19}\%$ better.

14.—What per cent. income will be received if 6% bonds payable in 16 years are bought at 120?

SOLUTION.

At end of 16 years the bond will realize \$1000 (par).	
Income of 16 years @ 6%	\$ 960
Total receipts	\$1960
Cost of the bond (at 120)	\$1200
Gain on \$1200 investment (16 years)	\$ 760
" " \$ 100 " (1 year)	\$ 3 23-24 = 3 23-24 % income.

15.—What per cent. of the investment is received as income by purchasing 5% bonds at 105, payable at par in 20 years? ANS. $4\frac{3}{4}\%$.

*PARTNERSHIP.

It is unnecessary to enter into an explanation of the terms Partnership, Firm, Capital, Net Insolvency, &c., as the student has already become familiar with them in working out the foregoing sets and studying the subjects.

SIMPLE PARTNERSHIP applies, when the several shares of capital have been invested for the same length of time, and the gains and losses are to be divided proportionately to the investments.

COMPOUND PARTNERSHIP applies, when the shares of capital have been invested for different periods of time, and the gains and losses are to be divided according to the average investments: that is, in proportion to the several amounts and times for which they have been employed.

SIMPLE PARTNERSHIP.

To divide gains and losses between co-partners in proportion to their investments when employed for the same period of time.

EXAMPLE 1.—W. H. Barton and William Woods engaged in business as partners, and agreed to share the gains and losses in proportion to their investments. Barton invested \$9000; Woods, \$7000. They gained \$2245.62; what was each one's share?

SOLUTION.

\$9000

7000

—————
\$16000 whole capital.

$\frac{9000}{16000} = \frac{9}{16}$, B's fractional part of the capital.

$\frac{7000}{16000} = \frac{7}{16}$, W's fractional part of the capital.

$\frac{9}{16}$ of \$2245.62 = \$1263.16, B's share of gain.

$\frac{7}{16}$ of \$2245.62 = \$982.46, W's share of gain.

ANALYSIS.—The whole capital being \$16000, B's share is $\frac{9000}{16000} = \frac{9}{16}$; and W's share is $\frac{7000}{16000} = \frac{7}{16}$. And since the gain is to be divided in proportion to the investments, B is entitled to $\frac{9}{16}$ and W to $\frac{7}{16}$ of \$2245.62, the whole gain.

2. Two merchants enter into partnership, with a stock of \$4,300, of which A contributes \$3000. They gain \$1117; how should this be divided between them?

ANS. A's share = \$779.302

B's share = 337.698

* See also pages 102, and 218 to 220.

3. Three persons, A, B and C agree to form a partnership, for the manufacture of woollen cloths. A puts in \$6470, B \$3780, and C \$9860. By the end of the year they find they have gained \$7890. What portion of this profit belongs to each?

Ans. A's share = \$2538.453
 B's share = 1483.053
 C's share = 3868.494

4. A, B and C entered into partnership with a capital of \$7500, of which A put in \$2500, B put in \$3000 and C put in the remainder; at the end of the year their gain was \$3000; what is each one's share in it?

Ans. A's share = \$1000
 B's share = 1200
 C's share = 800

5. A and B have a joint stock of \$4200, of which A owns \$3600 and B \$600; they gain in one year \$2000; what is each one's share of the profit?

Ans. A's share = \$1714.29
 B's share = 285.71

COMPOUND PARTNERSHIP.

To divide gains and losses between co-partners, in proportion to their investments, when their shares of the capital have been employed for different periods of time.

When the partners employ their capital for *unequal times*, the profits of each will depend on two circumstances:—

- 1st. On the amount of capital he put in; and
- 2nd. On the length of time it is continued in business.

Therefore, the profit of each will depend on the product of these two elements. The whole profit will be proportional to the sum of these products. Hence, the following:—

RULE.—*Multiply each man's capital by the time he continued it in the firm; then proceed upon the same principle as in simple partnership.*

EXAMPLE 1.—W. Parker, Samuel Warren and Milton Davis commenced business July 1, 1908, under an agreement to share the accruing gains and losses in proportion to their investments. Parker invested, July 1, \$20,000; July 19, \$5,000; and July 25 he withdrew \$230. Warren invested, July 1, \$10,000. Davis invested, July 1, \$10,000. Their net gain, August 31, is found to be \$1441.94. What is each partner's share, reckoning the exact time by days?

SOLUTION.

The time from July 1st to August 31st is 61 days.

Parker's investment, July 1, \$20,000, for 61 days = \$1,220,000 for 1 day.

" " " 20, 5,000, " 42 " = 210,000 "

Total 1,430,000 "

Amount withdrawn July 25, 230 for 37 days = 8,510 "

His average investment 1,421,490 "

Warren's investment, July 1, \$10,000 for 61 days = 610,000 "

Davis' " " 1, 10,000, " = 610,000 "

Total average investment 2,641,490 "

\$2,641,490 gains 1441.94

1441.94

1 " 2641490

1441.94

1,421,490 " 2641490 = 1421490 = \$775.96, Parker's gain.

2641490

EXAMPLE 2.—A commenced business with a capital of \$10,000. Four months afterwards B entered into partnership with him, and put in 1500 barrels of flour. At the close of the year their profits were \$5100, of which B was entitled to \$2100; what was the value of the flour per barrel? Ans. \$7.

EXAMPLE 3.—On the 1st of January, 1908, A commenced business with a capital of \$23,000; two months afterwards he drew out \$1800; on the 1st of April B entered into partnership with him, and put in \$13,500; four months afterwards he drew out \$10,000; at the end of the year the profits were \$8400; how much should each receive? Ans. A, \$6577.24; B, \$1822.76.

EXAMPLE 4.—A and B enter into partnership, agreeing to share gains and losses according to capital invested. A invests \$6500, B \$5400. At the end of five months A withdrew \$700 and B invested \$400. At the end of the year they have gained \$1200. How should it be divided?

Ans. A, \$2182.09; B, \$2017.91.

NOTICE OF DISSOLUTION OF PARTNERSHIP FOR PUBLICATION.

The partnership heretofore existing between Samuel F. Jones and John S. White, wholesale grocers in the City of Belleville, under the firm name and style of Jones & White, is this day dissolved by mutual consent. Samuel

F. Jones has retired from the business. The assets and liabilities of the firm have been assumed by John S. White, to whom all debts must be paid.

Dated at Belleville, Ontario, the tenth day of February, 1908.

JOHN S. HALL, witness.

SAMUEL F. JONES,
JOHN S. WHITE.

Referring to the above I beg to announce that I have formed a partnership with James Caldwell, and we shall continue the business under the firm name and style of White & Caldwell.

JOHN S. WHITE.

By such a notice as the above being published in local newspapers and sent to each creditor, the outgoing partner would be relieved from any responsibility for debts contracted by the new firm. He cannot, however, be relieved of the debts contracted by the old firm until they are discharged.

TO REDUCE DOLLARS AND CENTS TO STERLING MONEY.

RULE.—*Divide the given sum by the value of £1 sterling (\$4.8666) the quotient will be pounds sterling and decimals of a pound.*

Reduce the decimal part to shillings and pence.

EXAMPLE.—Reduce \$749.83 to sterling money.

OPERATION.

$$\$749.83 \div \$4.866 = \pounds 154.095 = \pounds 154 \text{ ls. } 11.28\text{d.} \quad \text{Ans.}$$

TO REDUCE STERLING MONEY TO DOLLARS AND CENTS.

RULE.—*Express the given sum decimally, and multiply by the value of £1 sterling.*

EXAMPLE.—Reduce £78 11s. 4¼d. to dollars and cents, sterling exchange being at par, \$4.8666.*

OPERATION.

$$\pounds 78 \text{ 11s. } 4\frac{1}{4}\text{d.} = \pounds 78.5697916 \text{ and } 78.5697916 \times 4.8666 = \$382.3677. \quad \text{Ans.}$$

* NOTE.—The present par value of the £ sterling is \$4.8666+, which is 9½ p. c. advance upon the old par \$4.44 4-9. Hence, if Sterling Exchange is quoted at 1.08½, or anything other than 1.09½, it is not at par, in which case the 8 or 8½ per cent., or whatever it may be, is added to the old par, thus: $\frac{-40}{9} + \frac{8}{100}$ of $\frac{-40}{9} = \frac{-40}{9} + \frac{32}{90} = \1.80 .

COMPOUND INTEREST.

The result of Compound Interest is:—that the principal sum, plus simple interest on the principal sum at a given rate up to a stated time, becomes the principal for a new period, and so on from period to period.

EXAMPLES.

1.—Find the interest on \$1000 for 3 years at 5%, interest compounded annually.

SOLUTION.

\$1000.	Principal
1.05	Amt. of \$1. for 1 year at 5%.
<hr/>	
1050	Amt. of \$1000 for 1 year “ “
1.05	
<hr/>	
1102.50	Amt. of \$1000 for 2 years “ “
1.05	
<hr/>	
1157.625	Amt. of \$1000 for 3 years “ “
1000.00	Principal.
<hr/>	
\$157.625	Interest of \$1000 for 3 years at 5%.

2.—Find the interest of \$2700 from March 1, 1908, to July 25, 1910, interest compounded annually at 5%.

SOLUTION.

\$2700.	Principal.
1.05	Amt. \$1 for 1 year at 5%.
<hr/>	
2835	Amt. \$2700 at March 1, 1909.
1.05	
<hr/>	
2976.75	Amt. \$2700 at March 1, 1910.
1.02	Amt. \$1 for 146 days (March 1st to July 25).
<hr/>	
3036.285	Amt. \$2700 at July 25, 1910.
2700.	Principal
<hr/>	
336.285	Int. of \$2700 from March 1, 1908 to July 25, 1910.

3.—Find the interest of \$1760 from April 24, 1908, to Aug. 16, 1909, at 6% per annum, interest compounded half-yearly.

4.—Find the interest of \$1850 from June 5, 1908, to July 20, 1909, at 8% per annum, interest compounded quarterly.

NOTE.—When interest is compounded half-yearly, work as for twice the given number of years at half the given rate; when compounded quarterly, work as for four times the given number of years at one fourth the given rate.

INSURANCE.

1. A merchant ships \$31,360 worth of wheat from Hamilton to Montreal. For what must he get it insured at 2 per cent. so as to cover both the value of the wheat and the premium paid for its insurance.

Ans. \$32,000.

Explanation.—Since the policy is to cover both the value of the wheat and the premium, and, since the premium is 2 per cent., or $\frac{2}{100}$ of the amount covered by the policy, the value of the wheat must be $\frac{98}{100}$ (or 98 per cent.) of the sum insured. \$31,360 is $\frac{98}{100}$ (98 per cent) of the policy.

2. A merchant shipped a cargo of flour worth \$47,880, from London, Ont., to Montreal *via* Belleville. To insure it from London to Toronto, he paid $1\frac{1}{2}$ per cent.; from Toronto to Belleville $\frac{1}{4}$ per cent., from Belleville to Montreal $3\frac{1}{4}$ per cent. For what sum must it be insured for the voyage to cover the value of flour and premium.

Ans. \$50,400.

COMMISSION AND BROKERAGE.

1. My agent at Montreal writes that he has purchased for me 4,000 bushels of wheat at 80 cents per bushel, and wishes me to send him a cheque on Quebec which he can sell to a broker at a premium of $\frac{3}{4}$ per cent. How large a cheque shall I send him, his commission being 3 per cent. ?

Ans. \$3271.46.

2. J. K. McCargar & Co. sell for Robinson & Johnson 3,500 lbs. of butter at 20 cents a lb., 2580 lbs of cheese at 9 cents per lb. at a commission of five per cent. They invest the balance in dry goods, after deducting their commission of $2\frac{1}{2}$ per cent. for purchasing. How many dollars' worth of goods do Robinson & Johnson receive? What is the entire commission of J. K. McCargar & Co. ?

Ans. to last \$68.21

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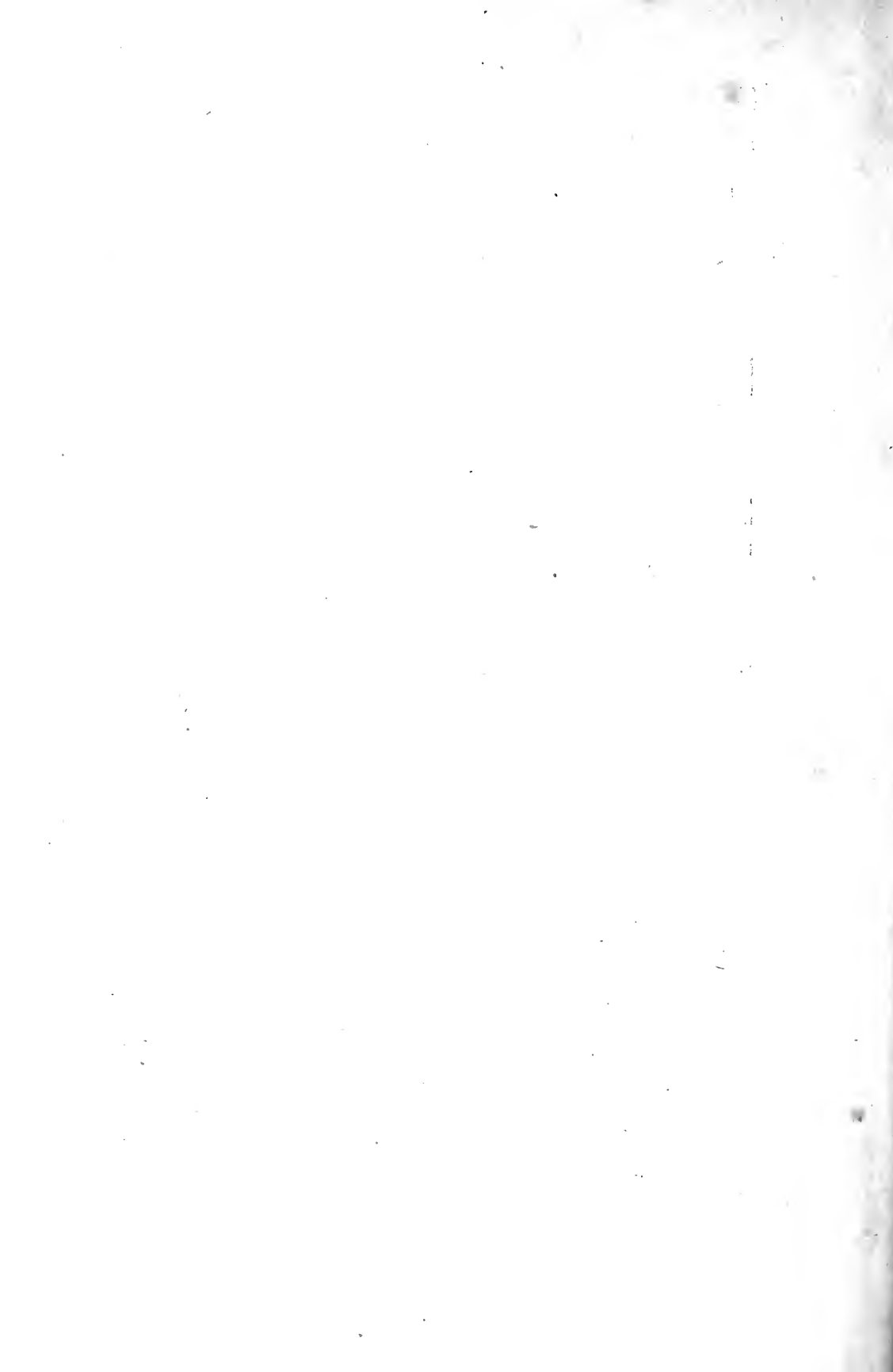
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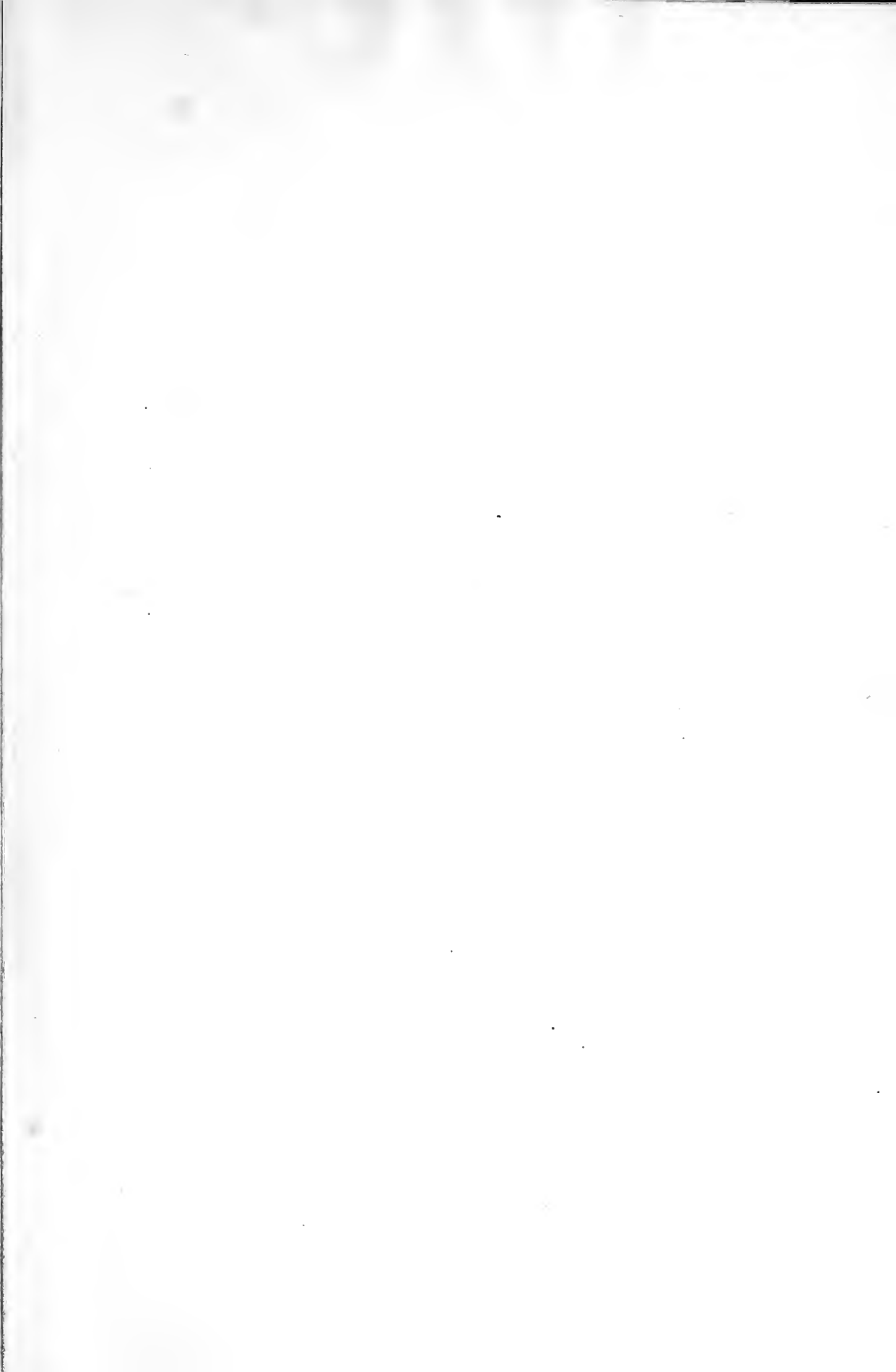
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